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Urban Being

The Future of City Living
and the European 'Beds Sector'



Ownership on its way out?

72% of iGens and 56%

of all consumers say home ownership is less important.

Digital demands

Superfast internet and strong WiFi are the

No.1 factors in rental decisions
for consumers across all age ranges and cities.

Bad reputations

54% of consumers

say unresponsive landlords who are slow to make repairs are the biggest concern when renting.

Later living opportunity

61% of consumers

say they would consider renting when they retire.

Consumer claustrophobia?

49% of consumers

want a spacious main bedroom when renting,
but just 14% of the real estate sector think this is important.

Beds, beds, beds

64% of the real estate sector

expect growing demand across the full spectrum of residential alternatives.

Demographic drivers

92% of real estate professionals

expect demand for retirement living to increase over 5 years, making it the most popular residential asset.

Calls for control

72% of consumers across all cities favour rent controls.

But 65% of the sector see controls as the main barrier to investing in PRS.

Let's come together

72% of the sector

see increasing demand for co-living as a residential solution.

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New lifestyles, new demands

Urbanisation, new lifestyles, different work patterns and increasing mobility are changing Europe's cities. What used to be referred to as 'generation rent' has become a phenomenon that goes well beyond a narrow demographic group.

This has prompted growing investor interest in Private Rented Sector (PRS), later living and co-living in particular. No surprise that we should move on from 'sheds' which we covered in our last report to exploring the 'beds' sector this year.

This report considers housing and demographic pressures in six key cities: London, Berlin, Amsterdam, Paris, Manchester and Glasgow. Through a major census of almost 6,500 people (more than 1,000 respondents per city), we uncover the preferences of consumers when it comes to their living environment.

In particular, we explore how affordability and supply issues, coupled with shifting technological, economic and lifestyle factors, are shaping demand for rented residential solutions across generations and societal groups.

We contrast these views with the findings of a major industry poll where we have gathered the perspectives of more than 200 global real estate investors, developers and agents who are active across residential alternatives, including student accommodation, co-living, build-to-rent (BtR) and retirement living.

A key element of our research is eleven in-depth interviews with leading investors, developers and operators active across the spectrum of 'beds for rent'. They give a wide-ranging perspective on what the opportunities and challenges are in delivering rented housing to meet present and future needs.

Our findings indicate that we are going to see unprecedented levels of interest and investment in all forms of rented accommodation in Europe's leading cities. This will reshape the local housing markets from an economic and political standpoint, but more importantly will better reflect how people of all ages want to live, work and play in our cities in the future.

We hope you enjoy reading our report. If you'd like to discuss any of its themes in more detail, we would welcome a conversation.

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#urbanbeingCMS





"The 2018 World Cities Report by the UN forecasts that by 2030, 60% of people will live in cities. The preference for urban living won't just need to cater for young professionals, but all age ranges."

Joe Persechino, AXA IM Real Assets.

Suspended animation: the market holds its breath

When we started our annual real estate review in 2013 the world was a very different place. David Cameron was prime minister, Ed Miliband was leader of the opposition, Barack Obama was the president of the United States and Britain was an active participant in the European Union.

Global capital was flooding into UK commercial real estate of all types, with retail property and shopping centres in particular continuing to generate significant interest. Residential property was still an outlier.

Brexit brake

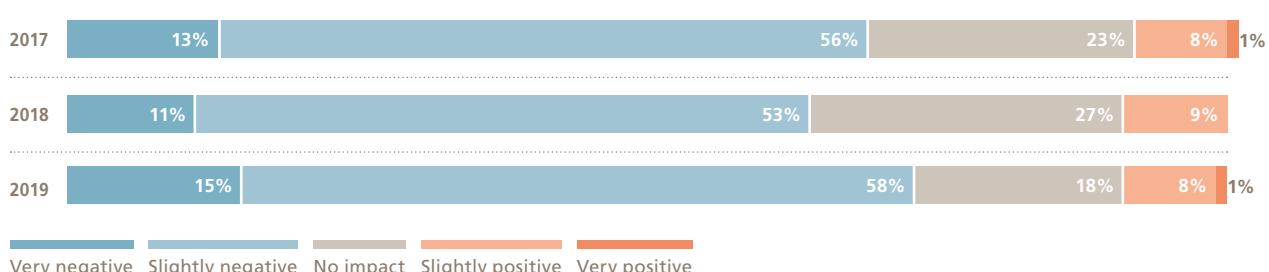
As well as wholly unprecedented political change, the UK real estate sector has been turned upside down. The institutional staples of shopping centres, retail parks and high street shops are no longer leading the way. 'Beds, sheds and meds' are the new darlings of the sector.

For the first time, structural rather than cyclical issues have had a transformative effect, with e-commerce having a seemingly irreversible impact on the worlds of retail property and logistics.

As the SEGRO chief executive David Sleath says: "The internet trumps Brexit". Sheds, of course, were the focus of our research last year – [Box Clever: Logistics Unpacked](#).

But as the Brexit debate continues, the negative impact is worsening according to our real estate sector respondents. 73% see Brexit as having a negative impact, compared with 64% a year ago, and only 9% seeing any positive impact.

Q: Following the UK's vote to leave the EU and subsequent negotiations, how positive or negative an impact has this had on your organisation? (Real Estate Sector)

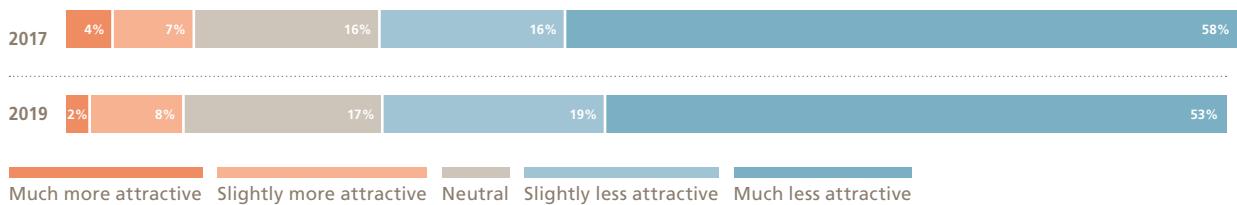


The investment market is hardest hit, because buyers and sellers have the discretion to delay decisions. Why should they buy or sell, goes the argument, when by the end of 2019 the UK's future could be much clearer?

There is an argument that 2020 could be a much-improved year, whether the UK leaves the European Union or not, simply because a measure of the uncertainty could be lifted.

The occupier market, on the other hand, has remained resilient, because leases come to an end and companies have to extend or move. The hope is that this strong occupier demand will underpin a revival in activity next year.

Q: How attractive would Scotland be as an investment location, if there was a vote to leave the UK and become an independent country after the Brexit process? (Real Estate Sector)

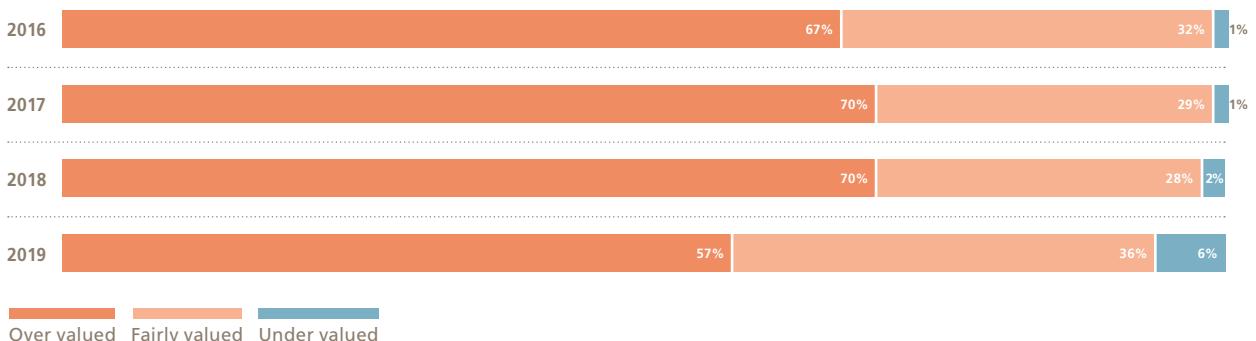


The prospect of Scottish independence has risen again, with one poll in August showing that 52% of Scottish respondents are in favour. A situation exacerbated by the resignation of Ruth Davidson, and Boris Johnson being unpopular north of the border.

However, for property investors the prospect of independence is still an unnerving one, with 72% saying that it would make Scotland less attractive as an investment location.

London lifts pessimistic mood

Q: What is your current view of the London real estate market? (Real Estate Sector)



For the first time in three years, the current view of the London market has shifted somewhat. In our most recent research, the perception of London being 'overvalued' has fallen from 70% to 57%, with an uplift of 8% for those who feel it is now 'fairly valued'.

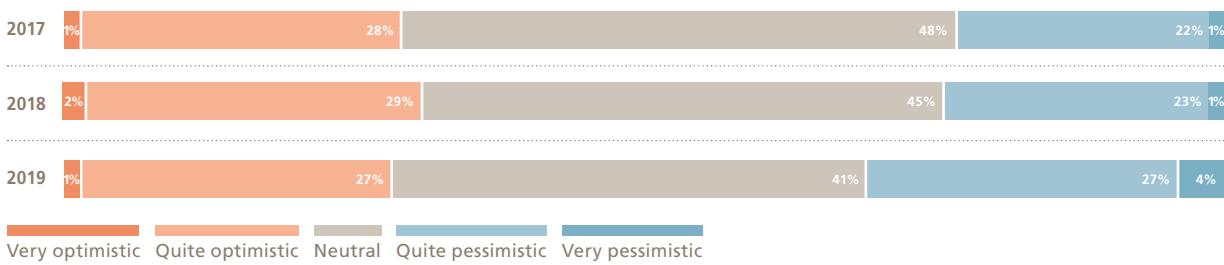
This may explain a strong July for the office investment market where according to CBRE volumes totalled GBP 1.4bn, bringing the year to date total to GBP 5.6bn compared with GBP 8.6bn in the same period in 2018.

As evidenced by our research, Brexit uncertainty has led to attention shifting to Europe – meaning that London is beginning to look good value once again.

Fewer assets coming to market is underpinning values and the office leasing market is in good health with vacancy rates falling to a historic low of 5.5%.

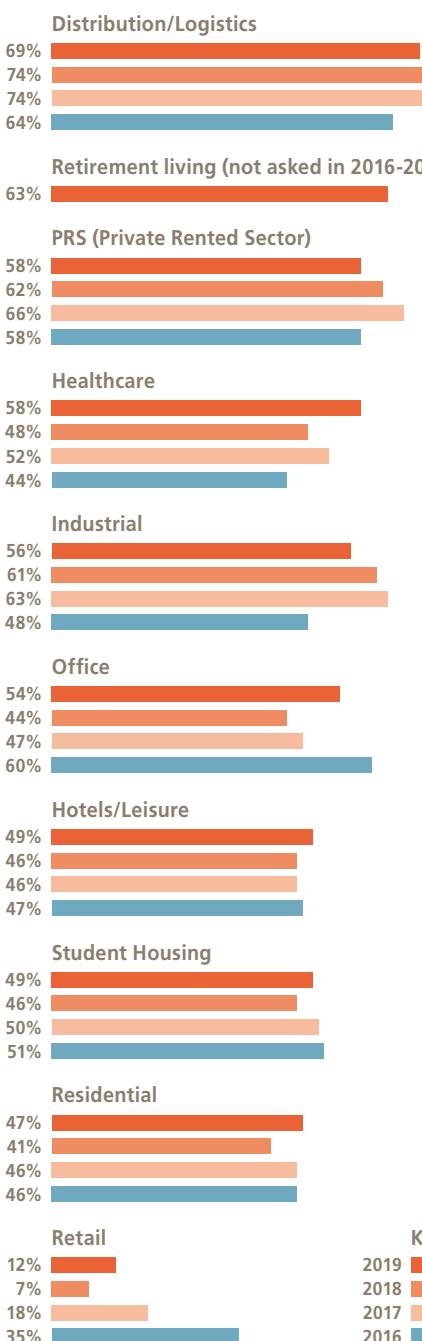
Nevertheless, industry sentiment generally has weakened during 2019. While the year began with some degree of optimism by the time MIPIM 2019 arrived and the government suffered a series of defeats over its EU Withdrawal Bill, the mood darkened. This would explain why 31% of those polled were pessimistic in 2019 compared with 24% in 2018.

**Q: How optimistic or pessimistic do you feel about the UK real estate market in the short term?
(Real Estate Sector)**



Beds, sheds, and meds

Q. Please rate the following asset classes on their level of appeal. (Real Estate Sector)



Distribution/Logistics is the most appealing asset class for the fourth year in a row with 69%, followed by Retirement Living (63%). Having covered the sheds sector in our report last year, the rise of retirement living and PRS in particular are very much our focus in this year's research.

PRS and Healthcare (58%) are joint-third, with the latter increasing its appeal by 10% since last year, and 14% since 2016.

There continues to be strong interest in the private rented sector: CBRE reports that total cross-border capital into European multifamily housing totalled EUR 52bn between 2015 and 2018 – a 221% increase over the previous four-year period.

Once again, Retail remains the least appealing asset class (12%), down 23% since 2016, although there has been a five per cent improvement in its appeal as values begin to bottom out. There is widespread speculation that private equity buyers and opportunity funds are circling the retail property world, bargaining that it is over-sold.

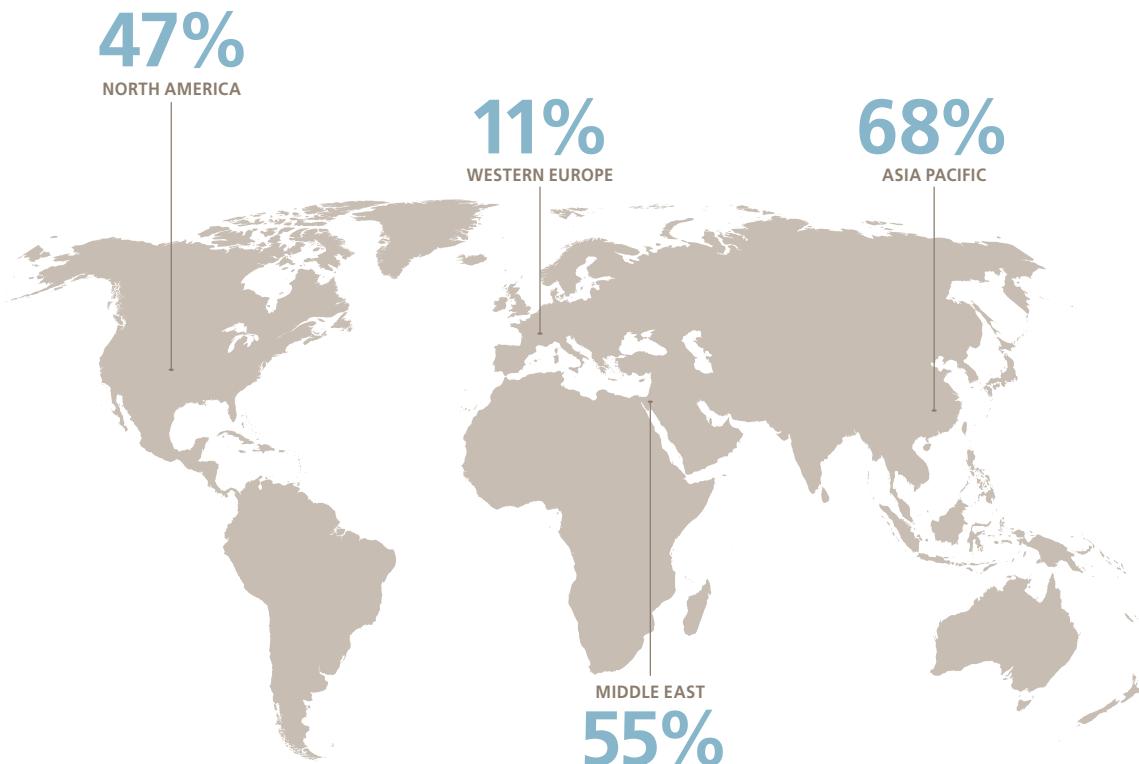
Among these investors there is a view that even if 20% of UK retail becomes obsolete that still leaves 80% to service a nation of more than 60 million people in one of the world's top five economies.

If rents are re-based – and, even better, if the business rates regime is overhauled – these investors believe they can refresh and rejuvenate retail property which for now appears in the doldrums.

Offices are another asset class which has bounced back a little this year, up 10% to 54% from 2018. With occupier demand still strong and a lack of available stock, investor interest in this sector of the market has returned.

Investor appetite

Q. From which regions do you think we will see an increased amount of investment into real estate in the next two years? (Real Estate Sector)



Asia-Pacific continues to reign supreme when it comes to investing in UK and European real estate, despite China's recently imposed restrictions on outbound investment. Looking at the major deals over the past couple of years it would appear investor appetite is strongest for offices over and above PRS, in spite of some significant deals for Asian players in this space.

Investors across the globe are appreciating the favourable investment characteristics of rented residential, with Canadian capital leading the charge in the UK. Recent major PRS deals involving international capital that CMS has advised on include:

- QuadReal and PSP Investments on a joint venture to deliver the development and management of the Cherry Park Development, a EUR 750m PRS scheme, adjacent to Westfield Stratford City in London. The scheme will feature approximately 1,200 new homes benefitting from a suite of amenities including a residents' gym, swimming pool, workspace and high-quality public areas. The development will be one of London's largest single-site PRS schemes.

- Canada Pension Plan Investment Board on its joint venture with Lendlease in relation to a major UK build-to-rent JV with an initial target to invest GBP 1.5bn in the sector. The first investment of approximately GBP 450m is in the next phase of new homes for private rent at Lendlease's GBP 2.3bn Elephant Park development in Elephant & Castle.
- Qatari Diar on the restructuring of its GBP 1.5bn UK PRS joint venture with DV4, Oxford Properties and APG, which invest via the Get Living platform.

PRS is one of the most stable and best performing asset classes in real estate



Wolfgang Egger
Founder and CEO, PATRIZIA

Tell me about PATRIZIA?

PATRIZIA has been active as an investment manager in the real estate market across Europe for more than 35 years through the acquisition, management, repositioning and sale of residential and commercial real estate. We manage more than EUR 40bn of real estate assets, primarily as an investment manager for insurance companies, pension fund institutions, sovereign wealth funds but also as a co-investor.

I am the founder and CEO of PATRIZIA and my family remain the majority shareholder after we floated the business on the Frankfurt Stock Exchange in 2006.

We aim to create sustainable, inter-generational residential developments with happy tenants.

We aim to create communities.

How important is local knowledge?

To be successful in residential development you have to first understand the local market you are developing in.

When we started building in Germany, first in the south, then in the centre in Frankfurt and then in Hamburg in the north, we found out very quickly that every area had different demands. Germany is like Europe but on a smaller basis. As you have different taxes, rent regulations, legal systems and even the accents are different!

We learnt to understand how the local market works. People are very different even within the same country. It is not about one size fits all.

In residential you always need to understand this kind of emotion and understand the people and their different needs. Renting and buying a house is an emotional decision. The product is an emotional product and if you don't understand that you'll never deliver the best product and the best pricing for that market.

We have 19 offices across Europe and never invest in a market where we don't have our own local people on the ground. That is key for us. We give people the freedom to utilise local knowledge but within the PATRIZIA method and framework.

Why has it taken so long for residential to become an appealing asset class to institutional investors?

When we started, institutional investors were not interested in buying residential assets. There were two main reasons for this – management intensity and reputational damage.

Residential is the most intense asset management sector in the real estate industry so it is not easy if you have no experience in the market. There can also be issues with your investment – from the lift not working, neighbours at war or the drains are blocked – this could damage your brand as the owner. Which is why institutional investors have historically been reticent to invest.

However, in the last two to three years institutional investors have learned that over the long term PRS is one of the most stable and best performing asset classes in real estate and has become one of the most compelling sectors for investment.

Is regulation an issue for the rented sector?

At my first meeting in China with a potential investor I was explaining all the various rent laws and planning regulations in the different European countries and cities. The guy was looking at me and shaking his head. He said 'Wolfgang, you guys are more communist than we are!'

Outside of the UK, continental Europe has more pro-active planning guidelines. The UK market is playing catch-up. It has a history of the ownership model, all the legislation in UK on planning regulations has always been geared towards the benefit of housebuilders as there hasn't been the support for the creation of a professional rental sector.

The Montague Report of 2012 set out a number of proposals to encourage greater investment in build-to-rent. Measures aimed at boosting professional investment in good quality, privately rented homes and to help meet the nation's housing demand. One of the key proposals – to use planning tools to ensure that new homes remain in the rental sector for a fixed period of years – was one of the few recommendations that was never implemented.

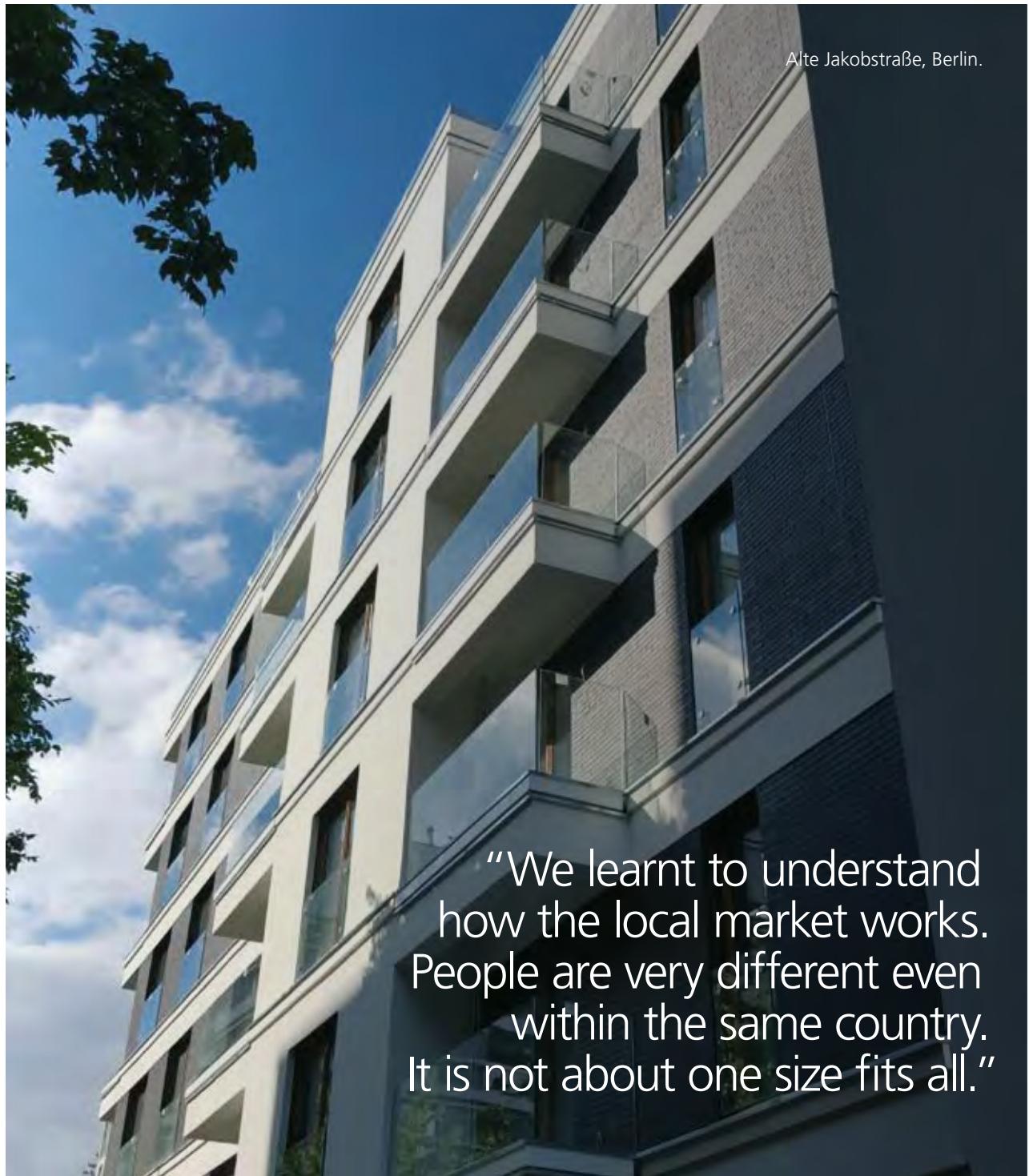
Is technology changing the way you do business?

Technology is an enabler. We created technology hubs across the globe and have so far reached out to over 3,000 tech start-ups. From these involvements we now have 30 to 40 ongoing pilot projects with technology companies.

We're looking to see how tech is influencing how people occupy space. We're investing in companies to help them grow and develop. We want to be part of, and own part of the disruption that is most definitely coming so we stay relevant.

For example, we have invested in a data management platform that uses artificial intelligence. As we manage GBP 10bn of residential assets, using this platform we can mine a lot of information and data from our own portfolio to give us a market advantage.

But no matter how far our business stretches across the Globe we will always be a local developer working with local people on the ground.



As investors we need to find other angles in order to access the residential market



Joe Persechino
Head of Residential and Student
Accommodation, AXA IM – Real Assets

What is AXA IM – Real Assets' involvement with the residential and student sectors?

We have close to EUR 11bn of residential assets under management.

The vast majority is in traditional residential apartment blocks such as 'Haussmanian' style – large two, three and four bed apartments in city centre locations in continental Europe, including many in some of Paris' most highly sought-after arrondissements.

We are actively looking at opportunities in the build-to-rent space. Over recent years, we have witnessed a huge influx of international capital increasing their exposure in this asset class making it a highly competitive market.

How do you see market conditions for BtR right now?

If anything, it's too hot. In London we are seeing yields quoted as low as 3.25% for PRS assets, which is unsustainable from our point of view.

In many major European cities, there are high land values to contend with, coupled with construction costs rising on average 5% each year. Development in London is more challenging still given the requirement for 35% affordable homes as per the draft London plan. We think this means many new schemes do not stack up from a return perspective.

As investors we need to find other angles in order to access the residential market. AXA IM – Real Assets is exploring the affordability sub-sector and the potential opportunities it may bring. Our focus is not predicated on building high-end stock which serves a small segment of the market. We take a long-term view to investment and seek to spread our risk across a balanced portfolio.

What trends are you seeing in student accommodation?

We manage EUR 600m of student accommodation, including assets in Scotland, Germany, the United States and an investment in the number one provider in Spain.

We are seeing huge numbers of international students still arriving in the United Kingdom, not solely from China, but also Malaysia, Vietnam and India. It is not just the upper classes who are paying to send their children for a



western education, but increasingly the middle classes too, who are more price sensitive.

The student accommodation sector needs to cater for a variety of budgets, from traditional 'cluster' flats with shared facilities, to studios with en-suite bathrooms and kitchenettes. A zone 1 studio in London can command anything from GBP 350 to over GBP 700 per week.

Over recent years, rooms have become more compact, but there are variances in legislation in different countries on minimum sizes. In the UK a student studio can be 15 sqm, but in Germany it will be 22 sqm or more.

What living trends are you seeing across Europe?

The 2018 World Cities Report by the UN forecasts that by 2030, 60% of people will live in cities and I read recently that major cities will drive 80% of the GDP for their

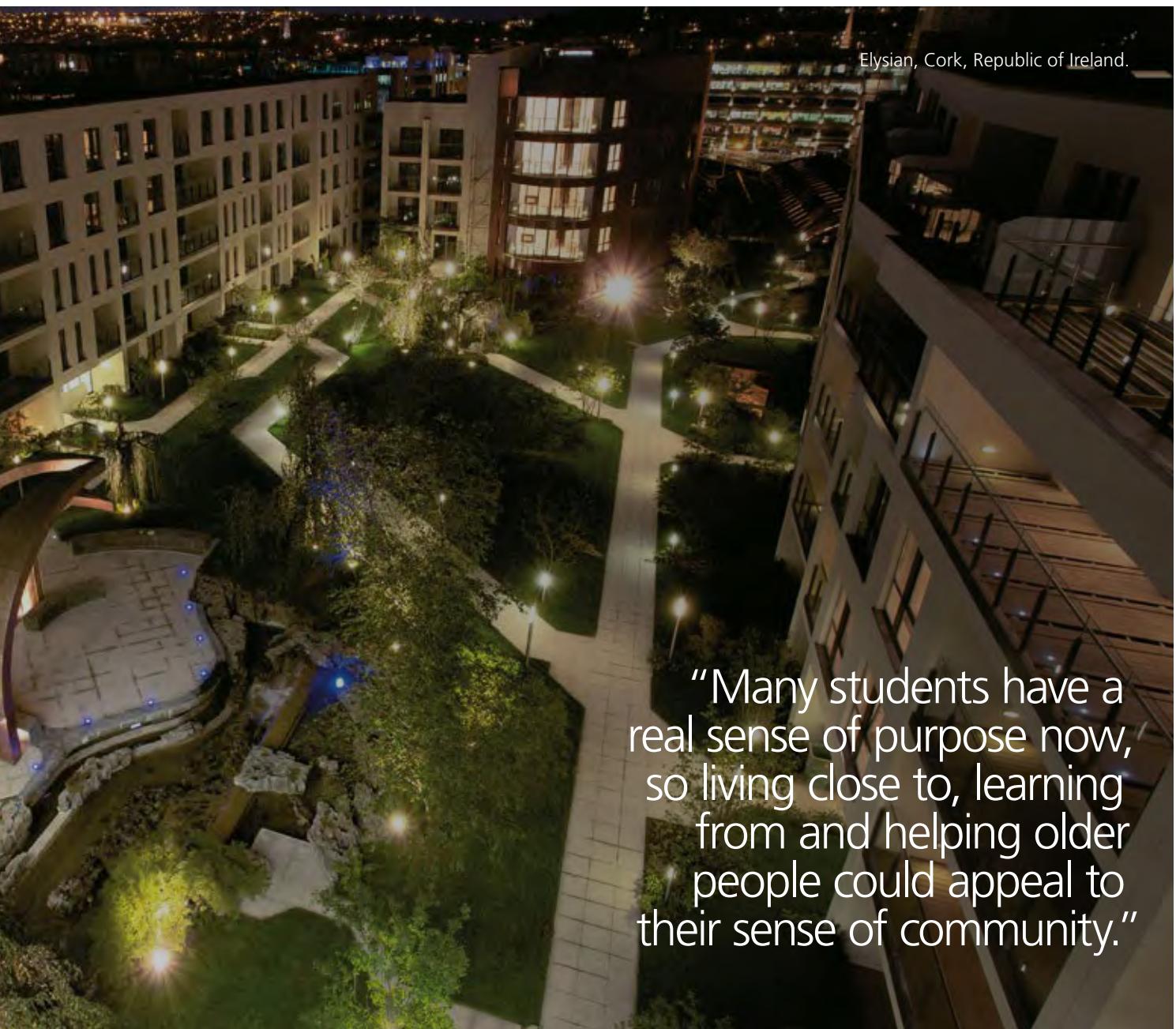
respective countries. The preference for urban living won't just need to cater for young professionals, but all age ranges. At the same time, home ownership rates generally continue to fall leading to more demand for rental accommodation.

As an example, in Germany, we are seeing a trend of people aged 55 and older selling their homes and moving back into city centre locations. People are staying healthier for longer and want to access amenities and leisure activities that allow them to make the most of their later years.

Inter-generational living is also a concept that interests us. Many students have a real sense of purpose now, so living close to, learning from and helping older people could appeal to their sense of community.

Elysian, Cork, Republic of Ireland.

"Many students have a real sense of purpose now, so living close to, learning from and helping older people could appeal to their sense of community."

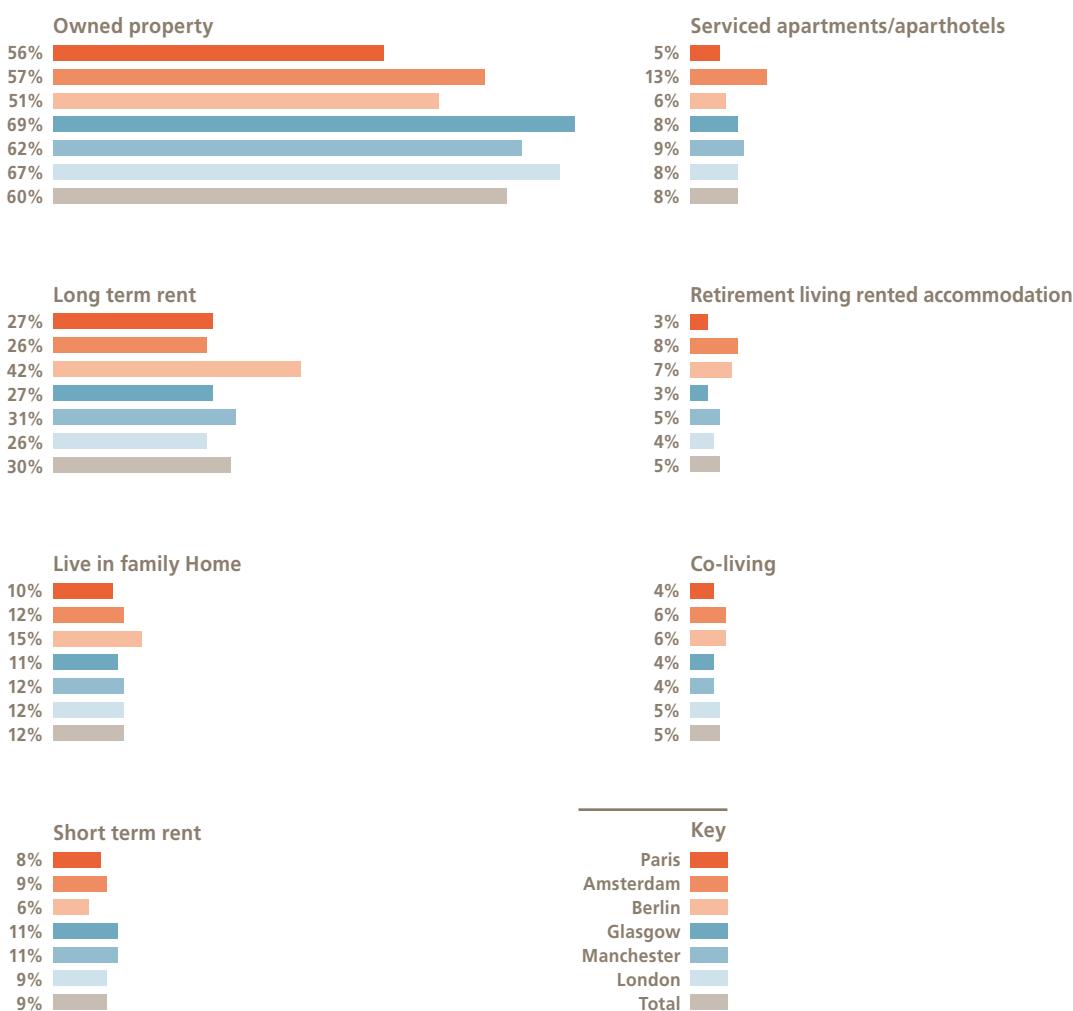


Cities in context: drivers for residential trends

Our research looks at six cities across Europe – four major European capitals: London, Berlin, Amsterdam and Paris; and two cities with vibrant markets: Manchester and Glasgow. This has allowed us to compare and contrast residential requirements now and in the future in six markets. All are at different stages in the evolution of their rented residential offering, and so give us a broad overview of how European cities of different sizes are developing housing solutions in the face of major structural shifts.

Attitudes to home ownership

Q. Which of the following types of accommodation appeal to you in your city? (Consumers)



An owned property is still the most popular accommodation choice overall in all six cities, with London, Glasgow and Manchester showing the strongest preference to buy.

In the UK, the old saying goes 'your home is your castle' but there are indicators that this is starting to change. Since the onset of the global financial crisis in 2008, the percentage of homeowners in the UK has fallen more than in any other EU nation.

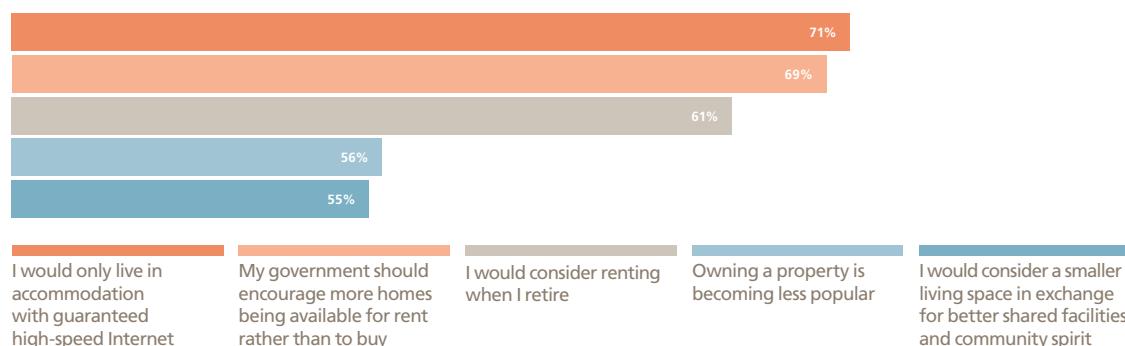
It is notable that in cities outside the UK where the rental market is more developed desire for home ownership is significantly weaker.

A preference for ownership versus long term rent in Berlin is closer to parity. According to Germany's Federal Statistical Office, in 2018 42% of Germans owned the home they lived in, whereas 58% rented. This is the lowest rate of home ownership in the EU.

The generational data for this question is also interesting. 49% of the iGens found owning a property appealing versus 70% of the Baby Boomers. This perhaps corroborates a view that we are seeing a gradual shift in attitudes in younger people about whether a home purchase is a necessity in life.

When asked whether they agreed or disagreed with the statement 'owning a property is becoming less popular' 72% of the iGens agreed and 67% of the Baby Boomers disagreed. That said, more than half of consumers (56%) view home ownership as less important. In fact, 69% believe their governments should encourage more homes to become available for rent, rather than to buy. And 61% say that they would consider renting when they retire.

Q: How strongly do you agree or disagree with the following statements? (Consumers)



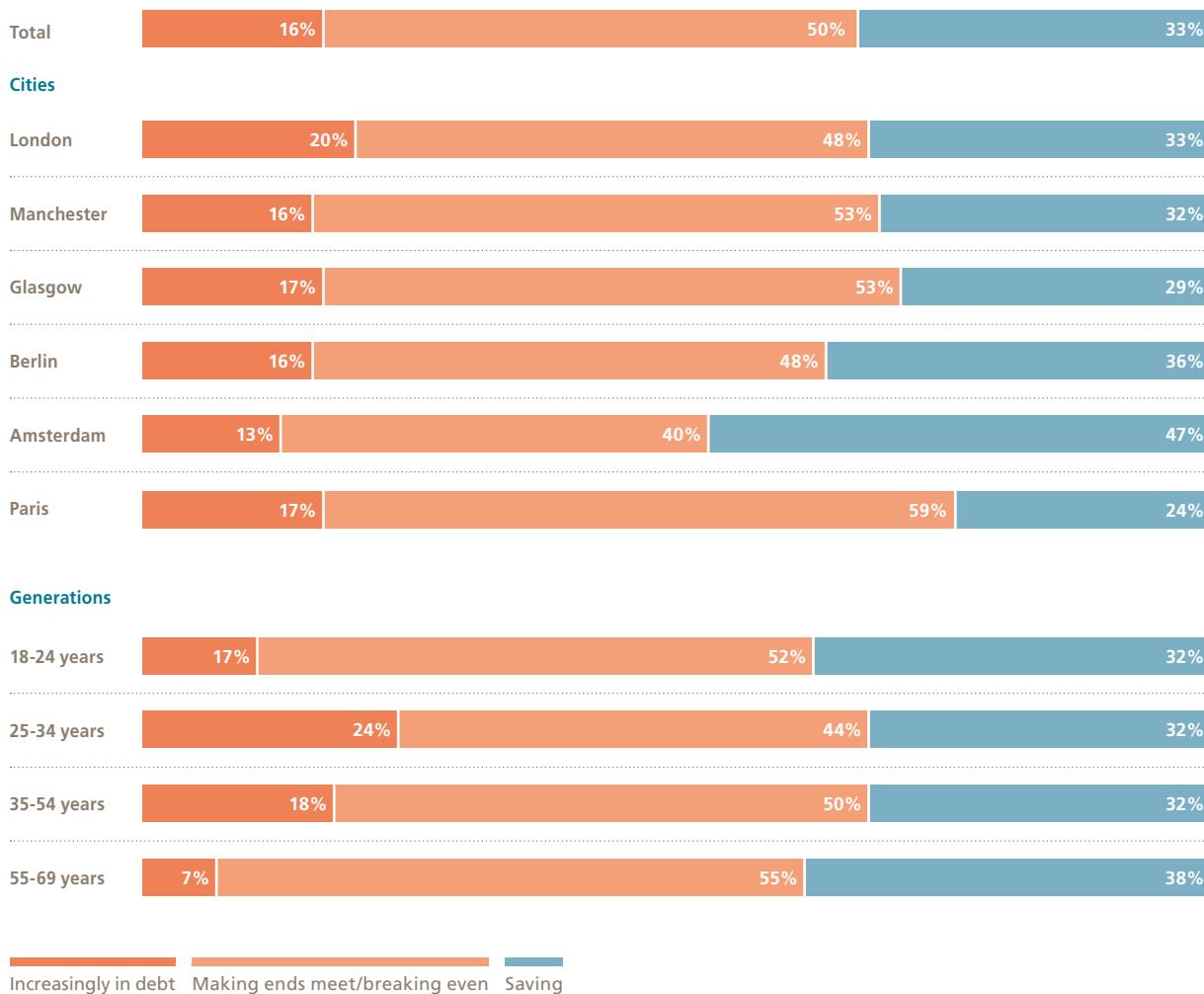
Many of our interviewees felt these opinions would soon be reflected across the board. Older generations eschew renting because the right accommodation solution is only recently coming onto the market for them. However, arguably they are no different to younger generations in their desire to access the kind of flexibility and amenity that a rental community can provide.

"We're at an interesting inflection point of housing affordability issues, housing shortages, and a general secular trend that favours renting versus ownership."

Jay Kwan, QuadReal.

The challenge of affordability

Q. How would you best describe your household financial situation each month? (Consumers)



Despite a preference for home ownership, with 67% of respondents across all our six cities either in debt or just breaking even each month, saving for a deposit has become more difficult than ever.

The wealth accumulation of the Baby Boomer generation in the form of owned property benefiting from decades of house price inflation has led to the rise of intergenerational wealth inequality.

For example, UK homes today cost eight times average earnings – and over 13 times in London. The ratio has doubled since 1997.

“We have seen the emergence of a ‘subscription society’ where people prefer to rent rather than own, from cars to music and now to homes and furniture. While Millennials are seen to be the generation driving this forward, we are already seeing a trend in older generations.”

Rick de Blaby, Get Living.

Appeal of renting

Simplicity, flexibility and reduced accountability rank as the most favourable factors when it comes to renting across all locations, as shown on the chart overleaf.

Having rent, bills and all other fees in one all-inclusive payment is a hassle-free option. Time-poor Londoners (who face the longest average commute times of any European capital) are more enthusiastic about the ease of such an offering (49%) than the respondents in Amsterdam (29%).

The generational data for this question also highlights some interesting differences in opinion. 51% of the iGens found an all-inclusive offering appealing, versus 29% of the Baby Boomers.

Better sense of community ranks towards the bottom of the list, which at first sight seems surprising. However, community may not be a deciding factor in **whether** to rent or buy, but it certainly is when consumers are choosing **where** to rent. It features prominently in our consumer preferences for rental accommodation and is one of the areas where they align closely with our real estate sector respondents.

Several of our interviewees felt that we need to create vibrant rental communities in order to combat the loneliness pandemic of our digital age, which is particularly prevalent in big cities where people may experience feelings of social isolation.

Drawbacks of renting

The most pressing concern for our survey respondents when it comes to renting is having an uncaring and inert landlord (54%). This negative sentiment towards landlords is most pronounced for the UK cities where traditionally the lion's share of the rental market follows a buy-to-let model of private individual landlords and letting agents.

Institutional landlords are already having a positive impact on the sector, introducing professional standards, greater consistency, and adopting smart technology to benefit tenants. Lack of control over rent increases features second most strongly in the concerns of our city dwellers, though Amsterdammers seem the least troubled by this, perhaps because the rental market there is much more established with regulation around the lower tier of rental housing. This raises the question of whether government intervention is needed in order to deliver confidence in the rental system.

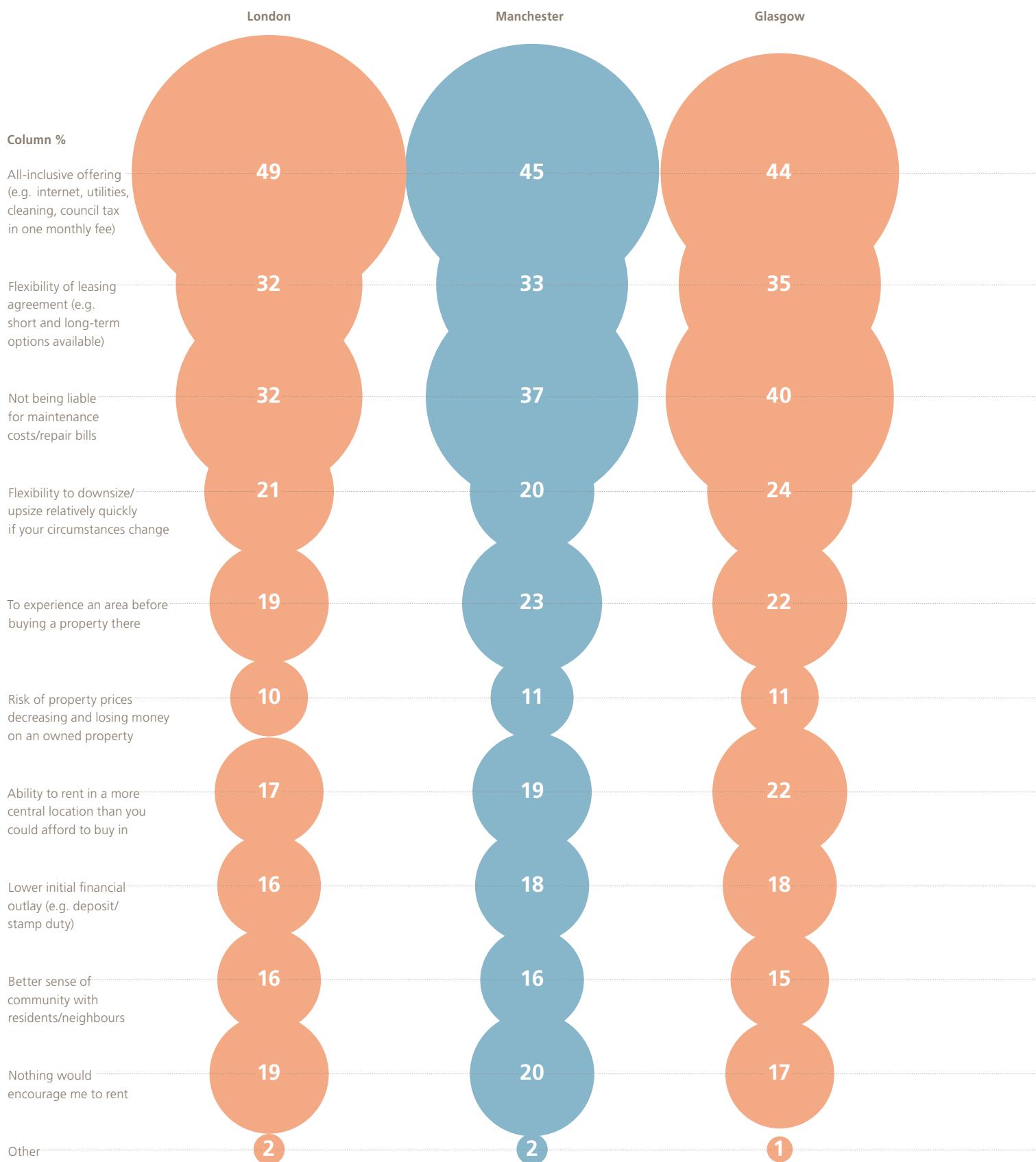
Interestingly, 34% of the Baby Boomers said that nothing would encourage them to rent. As yet, the bulk of this age group is holding on to its property assets, despite a growing social need for underutilised three plus bedroom houses owned by 'empty nesters' to be released back onto the market. Providing a 'right-size' attractive rental solution to draw them away from the security of home ownership is an opportunity for the real estate industry.

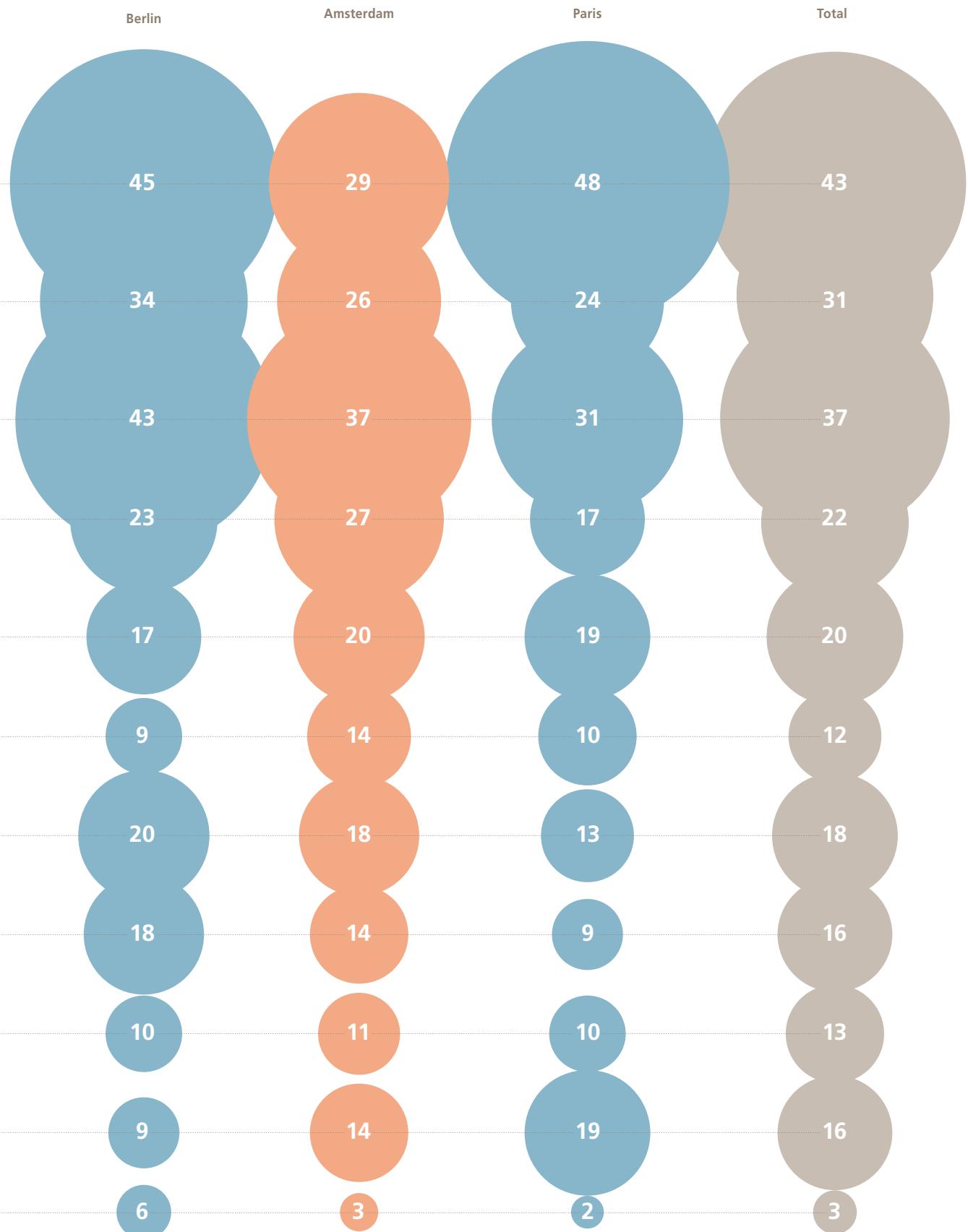
"Urbanisation is eroding our sense of community. Co-living is a kick back against this trend, borne out of a desire to foster greater human connection."

Jill Ju, The Collective.

Appeal of renting

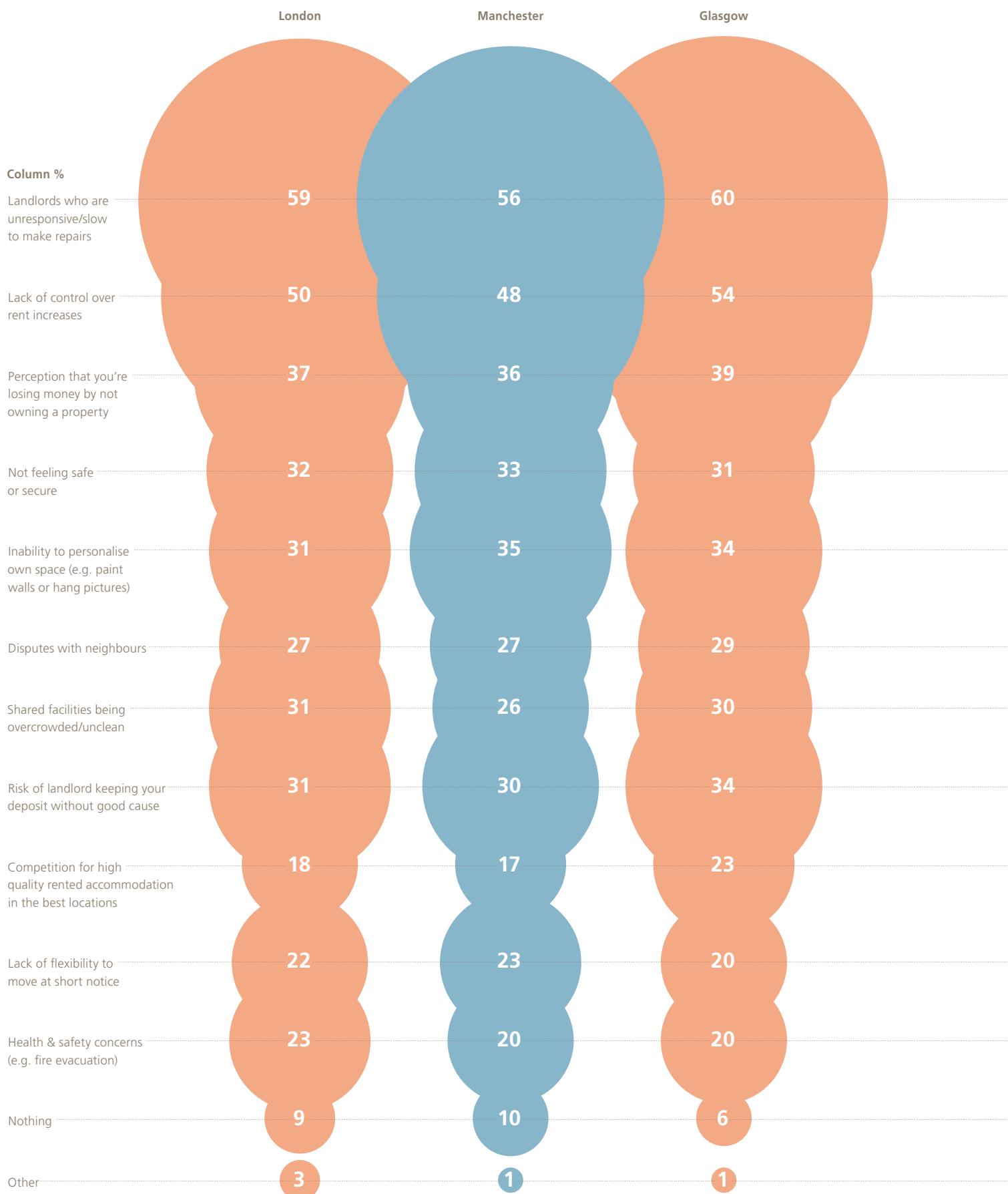
Q. What would particularly encourage you to consider rented accommodation when deciding on your next move? (Consumers)

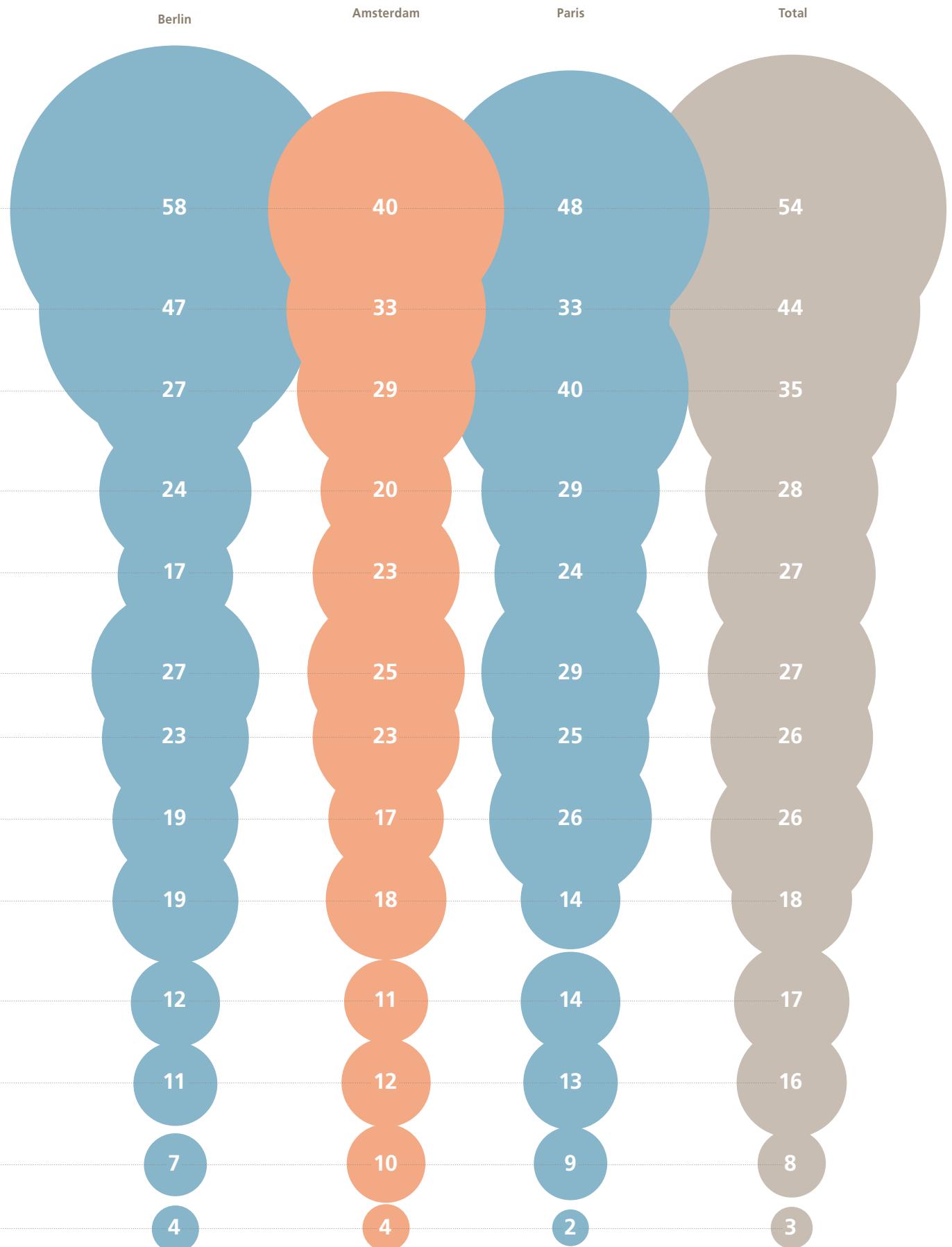




Drawbacks of renting

Q. What do you perceive to be the biggest challenges to considering rented accommodation? (Consumers)

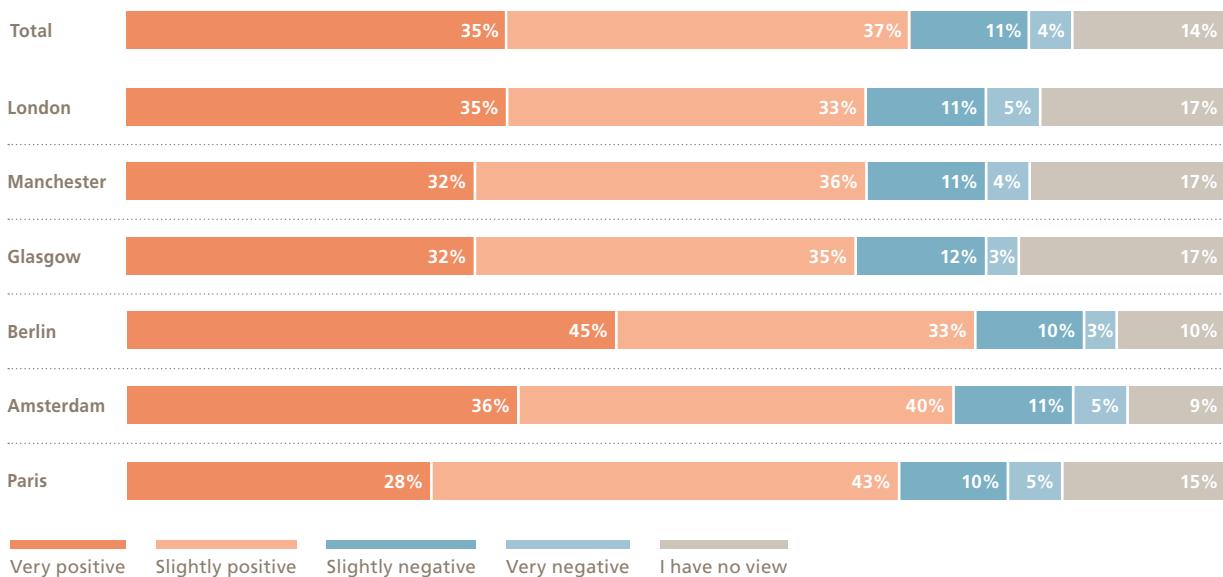






The rent cap debate

Q. How do you view government rental controls (i.e. caps on rent levels) on professionally managed houses/apartments to rent? (Consumers)



Rent caps remain a controversial issue for the real estate industry. Consumers, however, are overwhelmingly positive about them across all six cities, with 71% in favour overall.

In Berlin, 1.6 million of the 1.9 million homes there are rented. The city has been experiencing population growth of around 50,000 per year, with rents doubling over the past decade. This sparked high-profile mass protests in the city in Spring 2019. In response to public pressure, a five-year rent freeze is due to come into force in 2020,

which sets caps for each neighbourhood, so anyone paying more can demand a reduction.

In Paris, new rent control measures were introduced in April 2019 under the Elan France 21 Law. Limits will only apply to new leases (first-time rentals or new tenants), while the price of rent will be calculated in euros per square metre, based on a property's location. A studio in the affluent 6th arrondissement, for example, will cost more per square metre than an apartment of the same size in the less well off 20th arrondissement.

In Amsterdam, rental homes that cost EUR 720 or less in base rent per month (2019 threshold) are regulated. These are considered social housing rentals. Above this rent rate the landlord is free to set their own rental price and determine annual rent increases.

Despite rent controls, the PRS market is generally strong in Paris, Berlin and Amsterdam. These assets are still valuable investments offering strong long-term returns. They are mature markets and benefit from a culture of renting property, unlike the UK cities we polled.

London has not yet followed the example set by its European counterparts, though its Mayor is calling loudly for the introduction of rent controls. Our survey findings would indicate that Sadiq Khan is backed by popular support from consumers, despite industry caution.

Some economists argue that rent control measures do not work because if you force rents down, landlords may decide it is not economical to develop/rent out properties, which has the effect of limiting supply. Others argue that rent controls and stronger rights for tenants serve to balance the needs of both parties and encourage mutually beneficial, longer-term relationships.

City	Home Ownership Rate	Average Rental Price For A One Bed Apartment	% Of Wage On Rent
London	38%	GBP 1,250	45%
Amsterdam	29%	GBP 861	37%
Berlin	16%	GBP 407	28%
Paris	33%	GBP 824	27%

(Multiple sources: Savills/ONS/Statista)

The percentage of salary that goes on rent should be, according to the old-school rule, 30% of your monthly income. Looking at the secondary data in the table, it would seem that renters in Paris and Berlin are broadly maintaining a good ratio when it comes to rent, whereas in London and Amsterdam they are not.

Interestingly, half of our industry respondents agreed with the statement that government should do more to protect tenant rights. Though this is less than the 82% of consumers that agreed, it is nevertheless noteworthy that 50% of the industry respondents support measures that could place constraints upon them.

My government should do more to protect tenant rights sum: 'agree'

Real Estate sector 50%

Consumers 82%

Shelter is a basic human need and a hugely emotive issue, so the sector may be showing a recognition of how it must act in ways that are sympathetic and accommodating of its customers, perhaps more so than for any other asset type. Perhaps government incentives for "good landlords" should be explored so as to use a carrot, rather than the 'rent control' stick.

"Housing is an emotional product and if you don't understand that you'll never deliver the best product and the best pricing for that market."

Wolfgang Egger, PATRIZIA.

Urbanisation is leading to PRS opportunities across the world



Martijn Vos
Senior Portfolio Manager –
Real Estate, APG Asset Management

Please tell us about APG Asset Management

We're a Dutch Pension Investor with EUR 514bn AUM: Around 10% of this is allocated to Real Estate and circa 20% of this global portfolio is invested in residential asset classes – EUR 8bn, with Europe accounting for EUR 3bn of that. That includes PRS, student accommodation and hotels.

Our mandate in Europe is investing in real estate where we focus on gateway cities. At the moment the most attractive for us are Dublin, Helsinki, Madrid and Barcelona, London and a few UK regional cities such as Leeds and Edinburgh.

We're a long-term investor and our focus is on responsible long-term returns for pension fund clients and their beneficiaries.

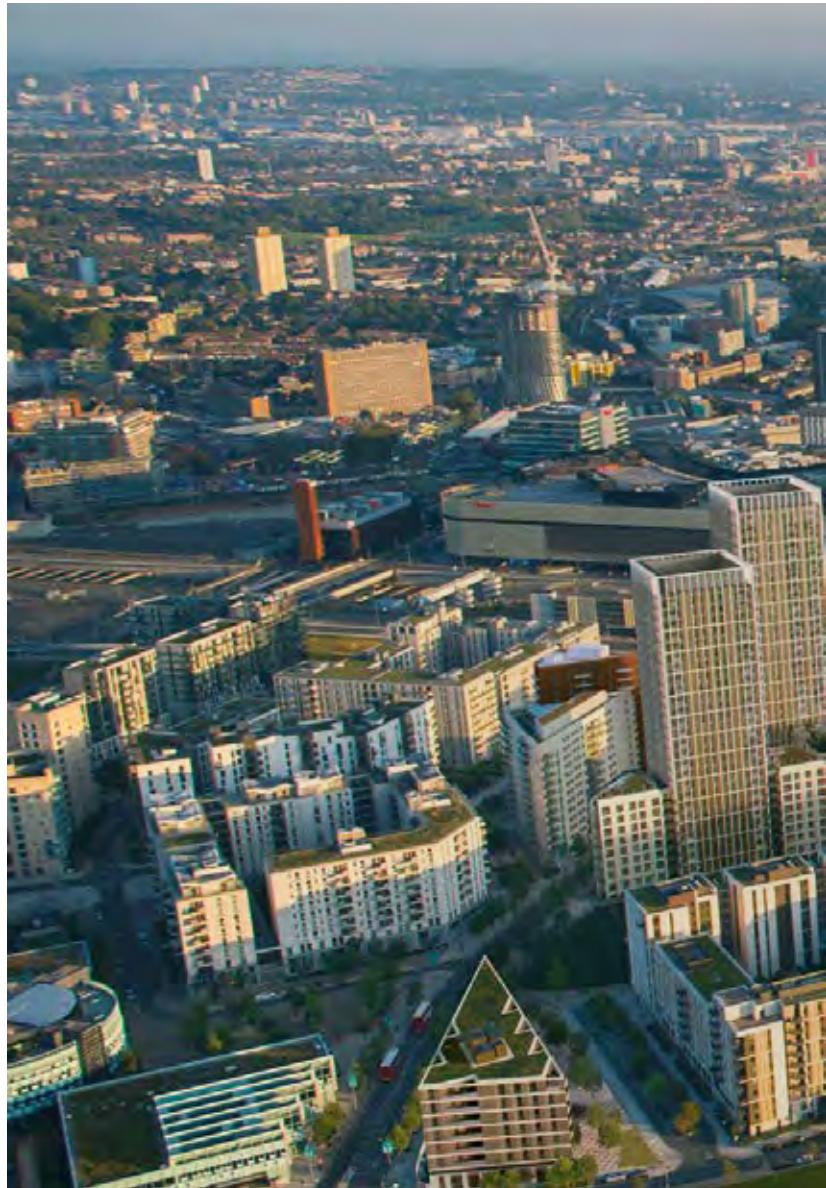
How long have you been active in PRS?

We have been a long time PRS investor in The Netherlands and we have been investing in other PRS markets for over 20 years; outside The Netherlands we initially invested in the US and then in Germany. Over the last eight to nine years we have significantly added to our residential exposure in these markets and in markets we felt were immature and ripe for take-off such as the UK, Ireland and Spain. Another market we entered was Finland, a mature market where price seemed attractive relative to other markets.

We entered the UK market via a joint venture with Grainger in 2012, who already managed a PRS portfolio. We added new acquisitions to this portfolio and worked with Grainger on new developments.

In 2013 we started a joint venture with Delancey – now Get Living – and this started as purely a development play. The combination of the Grainger JV and the Get Living investments allowed us to have immediate access to the UK market and over time build brand new product and create the scale required as it has proven a challenge to find the right stock when other new market participants tried to enter the UK.

Last year we sold our interest in the joint venture with Grainger back to them. We are still expanding with Get Living acquiring new sites and developing. At present there is no intent to sell any of that portfolio.



We are also working with Hines, the international real estate firm, in Dublin developing purpose built PRS sites. In Spain, we set up a company with partner Renta called Vivenio, which acquires both standing PRS product as well as creates newly built units, predominantly in Madrid and Barcelona.

Why does the BtR market appeal?

There are several factors, but as a rule we like residential for rent – it offers stable income streams and generally the residential markets are under supplied so there is upwards pressure on rents. It delivers strong recurring income returns, not the highest, but strong and stable with good growth prospects. We like that. Over the past decade, residential in general has delivered great capital value growth, caused by the low interest rate environment and supported by the undersupply in capital cities.

Many of the markets we are active in are those that are under supplied and it allows for us to build new developments and get additional capital value upside from creating these new assets as well.

What is your strategy moving forward?

We want to continue to grow our residential exposure, partly because the development sites we have already bought will require capital to build out and so we will have natural growth. I can also see us expanding into other propositions that we find attractive.

Urbanisation is leading to PRS opportunities across the world. We are very interested in China and Japan. China is a huge market and is even newer to PRS than the UK.

We are starting to give more attention to Australia and we have recently invested in senior retirement living there, a market in which we are active in the US as well. However, in Europe we have not yet found a retirement living model that we think would work for us. We are looking though we haven't found the right partner and/or model yet.

Other residential or "bed-strategies" such as student accommodation and hotels are also strong and growing markets and we will have a higher allocation to them going forward.

East Village, London.

"Over the past decade, residential in general has delivered great capital value growth."

We're only scratching the surface in terms of how technology will enhance our living experience



Jay Kwan
Managing Director,
International Real Estate,
Europe, QuadReal

Please tell us about QuadReal

Headquartered in Vancouver, Canada, QuadReal Property Group is a global real estate investment, operating and development company.

The company has a portfolio worth CAD 27.4bn portfolio spanning 23 global cities across 17 countries.

QuadReal was established to manage the real estate program of British Columbia Investment Management Corporation (BCI), one of Canada's largest asset managers with a CAD 145.6bn (GBP 88bn) portfolio.

QuadReal's aim is to deliver prudent growth and strong investment returns, and to create and sustain environments that bring value to the people and communities it serves.

What is your mandate in Europe?

I started at QuadReal in March 2018 with a mandate to invest across European real estate.

So far, we have invested across a combination of city centre office developments such as the City of London's 22 Bishopsgate, logistics joint ventures across the United Kingdom and Europe with GLP Gazeley, and value add office joint ventures in London and Paris.

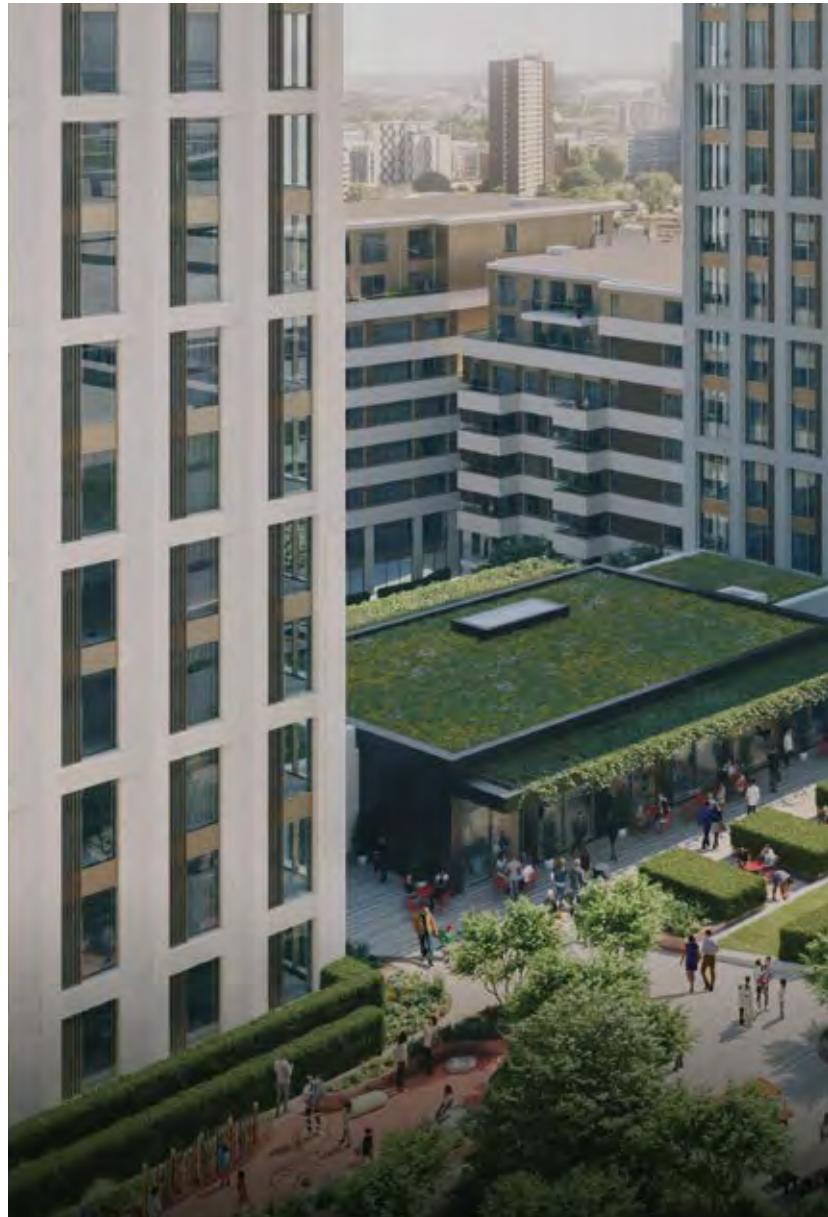
We have also formed a joint venture with Unibail-Rodamco-Westfield in the private rented sector at Westfield Stratford, as well as programmatic joint ventures in the private rented sector with the Realstar Group and RoundHill Capital in London and Dublin, respectively.

Why do you favour accommodation-focused real estate?

I think we're at an interesting inflection point of housing affordability issues, housing shortages, and a general secular trend that favours renting vs. ownership. This makes for an interesting time to seriously consider multiple forms of "living" real estate.

As the industry is generally still in its infancy across many European cities compared to markets like the US and Canada, there is an interesting opportunity to define what consistent and professional management could mean in these markets.

We're currently quite active in the private rented sector, but we're also keen to find an entry point into student accommodation, particularly on Continental Europe.



The key for us is finding an experienced partner with whom we can scale, which is proving challenging given the fragmented and nuanced nature of these markets.

But we also know that as with any real estate sector, there are risks to manage in the residential world.

While short term interest rates seem to be steadily holding low for now, I worry about an eventual rise against the backdrop of potentially low inflation and the current ultra low yields at which residential is trading. Your margins for error are thin, and your worst case scenario could see your development spreads vanish.

Finally, in an increasingly stringent regulatory environment, I worry about "stroke of a pen" risk blown in from unpredictable political processes. Housing is a hot button issue, and there is unpredictability in the current political climate.

How do you judge what to develop and where?

The key debate isn't 'what do people want?', it's what will people pay for?'

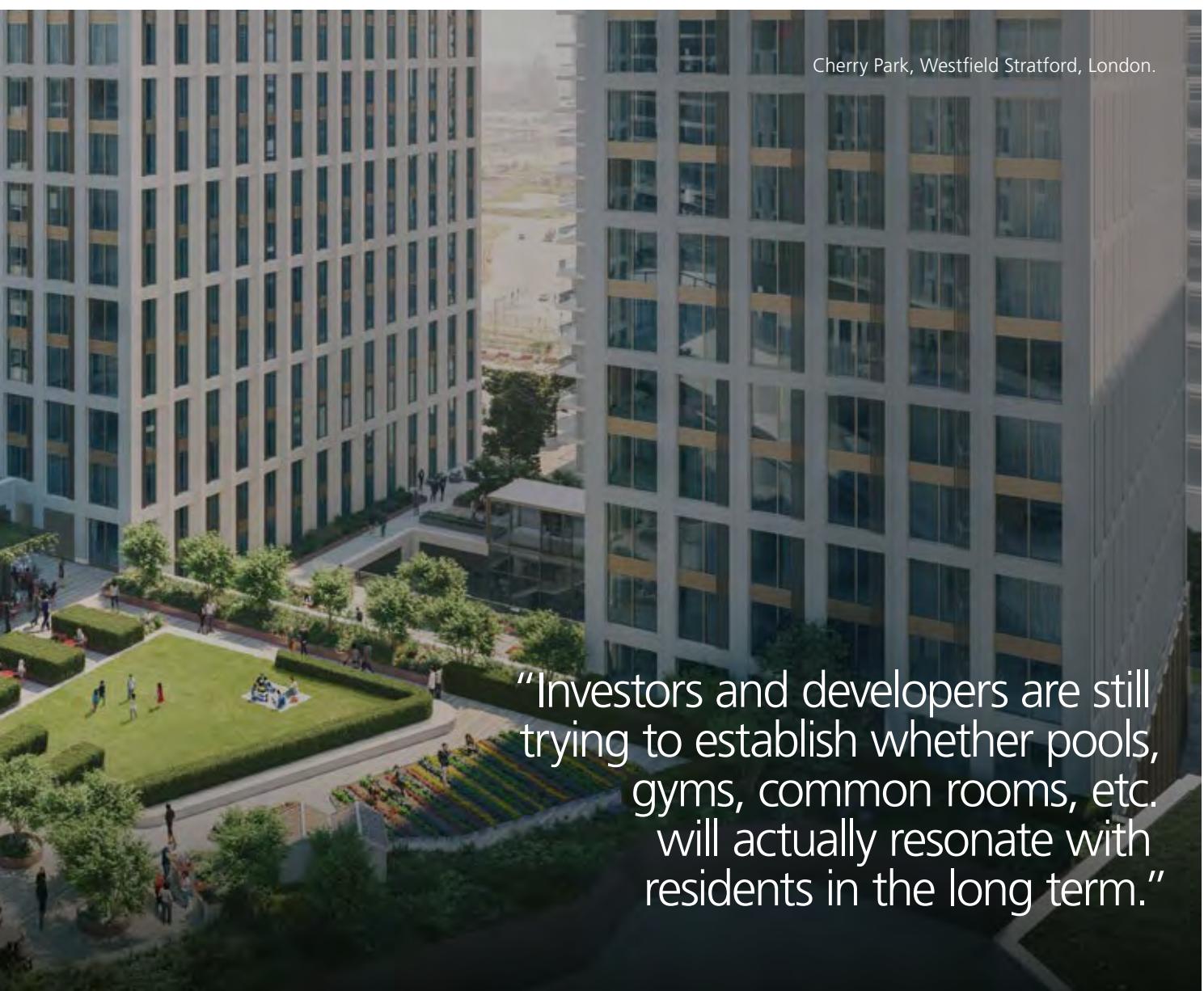
In a new build-to-rent market like the United Kingdom, market standards are still evolving, and investors and developers are still trying to establish whether pools, gyms, common rooms, etc will actually resonate with residents in the long term.

We're selecting locations that have robust transportation links, amenities and real reasons for people to be there.

What is the future for residential?

Housing is one of the last sectors to be disrupted by technology, but there is so much opportunity for it to do so.

In my electric car a dashboard tells me everything I need to know about what's working and not working inside of my car – so why can't that be the same in my home? Apps will sort out delivery from nearby retailers, and allow us to report and have maintenance issues addressed. I think we're only scratching the surface in terms of how technology will enhance our living experience.



By making it an aspirational decision, we can motivate older people to take this step



Charles Ferguson-Davie
Chief Investment Officer,
Moorfield Group

Who are the Moorfield Group and what do they do?

We are a UK-focused real estate, private equity fund manager. We raise PE funds from US, European and Japanese investors to invest in UK real estate. Since 2005 we have raised five funds with over GBP 1.5bn of equity.

We currently manage three funds, one of which is dedicated to senior living and owns Audley, the UK's leading retirement village business.

In our other two funds we invest across all the different asset classes in UK real estate, but we are well known for investing in the more alternative subsectors, principally student accommodation, BtR, senior living and emerging asset classes.

Where in the UK do you invest?

We don't start from a geographic perspective, but the location does of course need to be a good one. We're looking predominately for needs based, demographically led investment opportunities, where growing demand and limited supply is driving price and rental growth. These assets have enormous potential but will also perform better in a potential downturn environment, on a relative basis, compared to other sub-sectors.

This strategy has also led us to the logistics sector where the rise of online retailing has led to growth in demand for distribution warehousing.

In recent years we have been investing in BtR in Manchester, Liverpool and Newcastle and in student accommodation in regional cities with strong and growing universities.

Our senior living investments have been all around the UK but weighted to the commuter belt area around London.

We refer to our current strategy as being focussed on 'beds and sheds', which came from looking at societal shifts for new ideas and opportunities.

We would love to invest more in London but finding value is hard and competition is fierce.

What projects are you currently engaged on?

We are developing senior and student accommodation schemes because there is a lack of supply. We aim to achieve high returns for our investors so we need to take a degree of



extra risk through development to create the product that we think will be in demand for the occupier and for buyers.

Our typical business plan is for five years. We will either develop or re-position an asset, i.e. change the planning consent or asset use class from something that is redundant and not performing to something that is in demand.

The Keel in Liverpool is a good example. It was an empty unloved office building, so after gaining a planning consent for change of use we converted it into a for-rent residential scheme of 240 apartments, which opened in 2015. We leased it in full and then we sold it in 2018. As far as I am aware this was the first 'round trip' for any BtR project in the UK. There were many interested buyers in the asset, particularly from institutional money.

Are our senior housing needs changing?

Our ageing population is a demographic time bomb. Over 80-year olds will treble in the next 30 years. With advancements in medicine and healthier lifestyles, there are more people entering retirement age now than ever before.

This group is also the wealthiest cohort of our society – typically owning their own homes and having benefited from decades of house price inflation. Over 60s own GBP 1.5tn of UK housing equity, while only 1% of them live in specialist retirement accommodation, compared to 17% in the US.

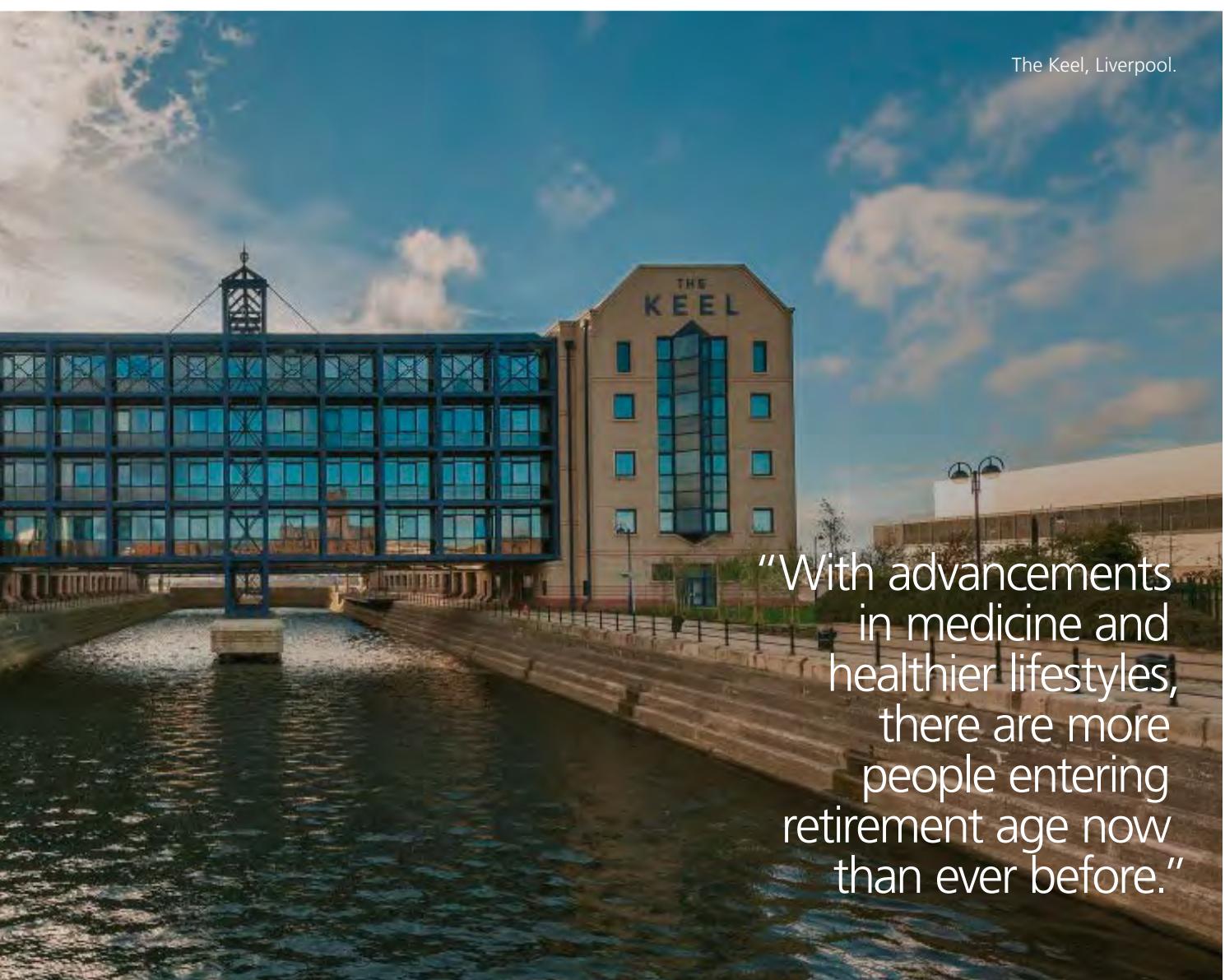
Increasingly we are finding that this age group is looking to downsize and to release some of that equity from their home – for numerous reasons, from the house becoming unmanageable and wanting to use that money for their future care, to helping their children and grandchildren with a deposit so they can buy a home.

Audley is targeting that trend and creating beautiful places to live, with the sort of facilities that you have at a country club. By making it an aspirational decision, we can motivate older people to take this step for positive lifestyle reasons, instead of waiting until it becomes a necessity due to care needs.

Residents at Audley developments enjoy access to bars, restaurants, spas and swimming pools along with a community of like-minded people.

The Keel, Liverpool.

"With advancements in medicine and healthier lifestyles, there are more people entering retirement age now than ever before."

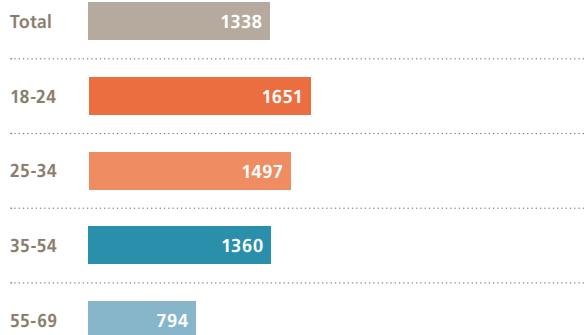


What renters want: consumer preferences

In this section we explore how consumer preferences differ between generations and from the views of our real estate respondents.

Pricing it right

Q. What would be the maximum you would be prepared to pay per month to live in high quality rented accommodation? (European cities only) (€) (Consumers)



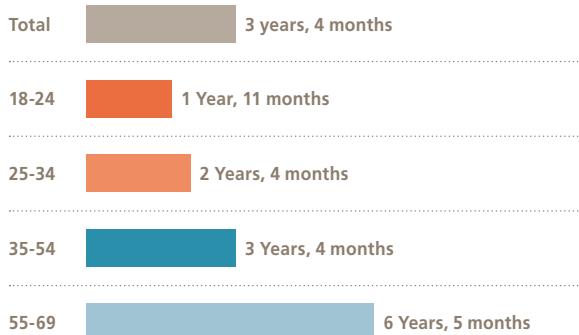
It is interesting that the iGens and Millennials are both prepared to pay around twice as much as the Baby Boomers to rent quality accommodation. This may be due to differences in their beliefs on renting versus owning – views that are held particularly strongly in the UK.

The overall spending habits of younger generations would indicate that they buy more strongly into the 'experience economy'. This translates into paying a premium to enjoy a better lifestyle in the here and now, since home ownership is such a distant dream.

In contrast, the Baby Boomers when they were younger would have been able to get on the property ladder much earlier in their lives, since relative to wages, house prices were less.

In it for the long haul?

Q. Which of the following lease lengths would most appeal to you? (Consumers)

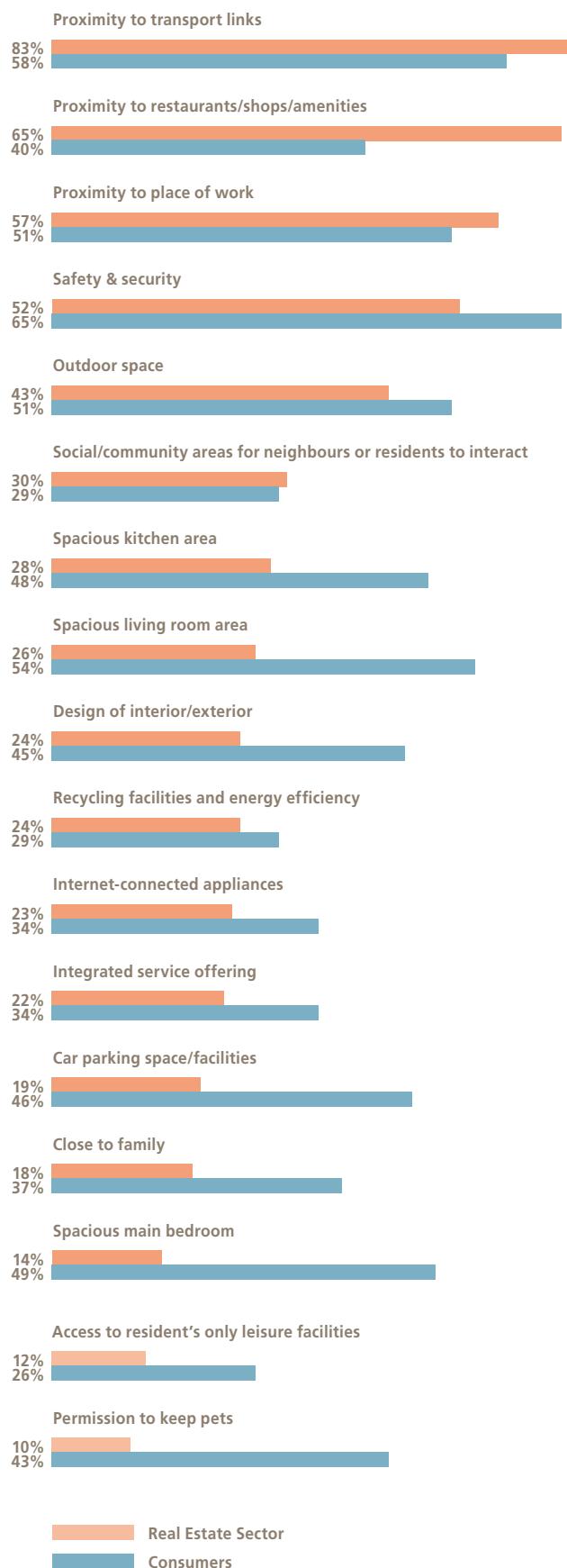


As in the office sector, the flexibility of shorter leases is increasingly attractive particularly among younger generations. Something WeWork which has recently entered the private rented sector, well understands.

Those heading towards or at retirement want significantly longer leases. This combined with a reluctance to spend as much as other age groups suggests many are yet to find a flexible rental product that suits them.

Does the real estate industry understand its customers?

Q. Which of the following do you think is integral for people when looking for their next property move?



As the residential sector's popularity grows and more players enter it, one of the key means to differentiate will be through a serviced offer, so getting the right blend of amenities is key. With that said, there are decisions to be made about what is actually going to make a difference in terms of customer retention.

The real estate sector has correctly anticipated four of the factors that make the top five for consumers: proximity to transport links and place of work, outdoor space and safety and security. However, a spacious living room area is third most integral to 54% of our consumers but only 26% of real estate professionals think this would be important.

Other factors where the industry and consumers are markedly out of sync include permission to keep pets (10% to 43%) and car parking (46% to 19%).

The consumer and industry views also diverge on whether a spacious main bedroom is required (49% to 14%).

New lifestyles demand the kind of flexibility and amenity we offer



Jill Ju
Investment Director,
The Collective

Please tell us about your role at The Collective

I oversee strategic growth across our UK and international portfolio of co-living spaces, managing a 12-strong team of real estate investment specialists based in our offices in London, New York and Berlin. We now have 200 staff overall across these three cities.

Beyond London where we launched the world's largest co-living building in 2016 and where we will open our latest project in Canary Wharf in September, we have recently announced projects in New York, Chicago, Miami and Dublin. We have raised more than USD 800m to fund our international expansion to date and have over 8,000 rooms operating or under development.

My background is in accommodation. It was while working for Greystar, a leader in multi-family homes, that I met Reza Merchant who had founded The Collective in 2010.

How are lifestyles changing and how is The Collective responding?

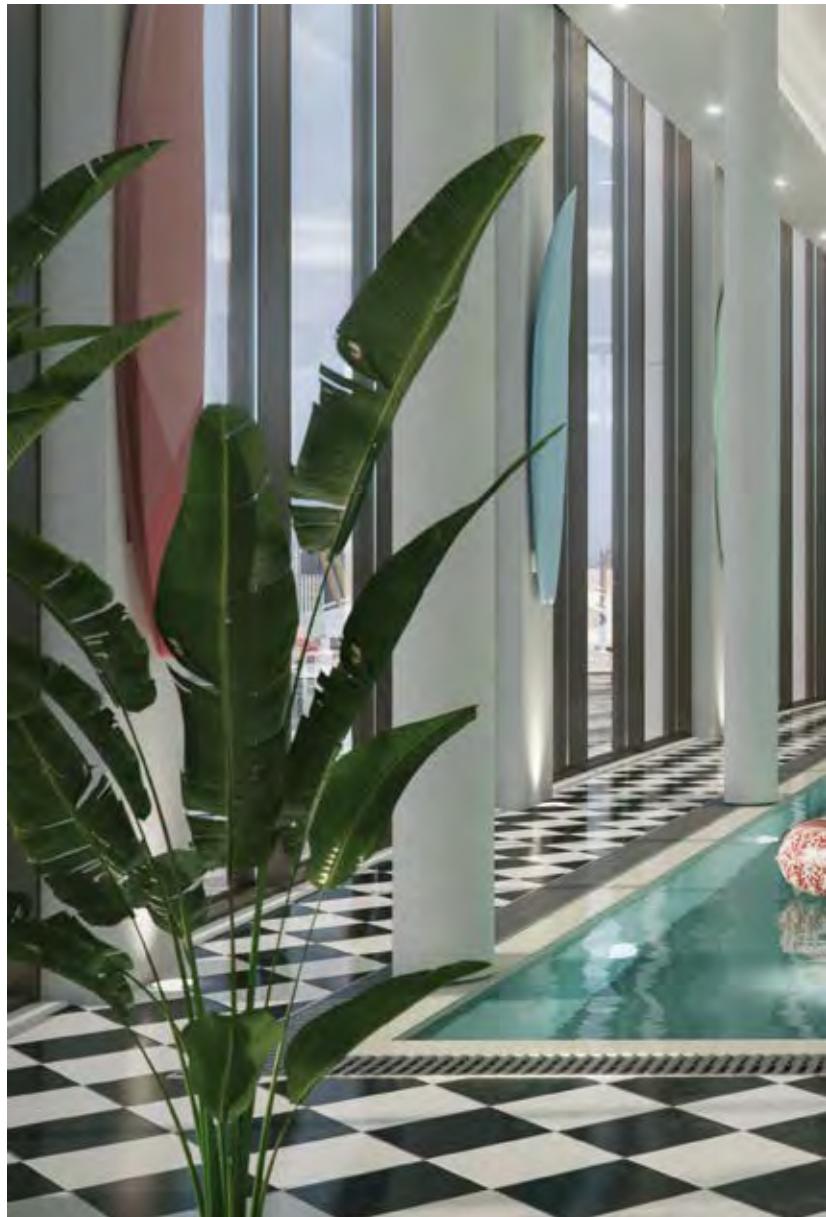
City life is becoming ever more disconnected. Urbanisation is eroding our sense of community. The Collective is a kick back against this trend, borne out of a desire to foster greater human connection. The magic of our offer comes in the unique experience we create for our members – something which hasn't existed in the market until now.

New lifestyles demand the kind of flexibility and amenity we offer. People now work in a way that's much more agile and globally mobile than previous generations. At the same time, people are delaying major life choices like getting married, buying a house and having children, making them less tied to certain places or locations. They also very much value experiences over material possessions.

Who is the typical Collective customer?

We have members of all ages, but 75% of our members are under 35. Interestingly, the age range at The Collective Old Oak is from 18-66, which is much broader than we initially anticipated but demonstrates the intergenerational appeal of our product.

Our customers tend to be in a transformational life stage – first job, first time in a new city, newly single. The Collective provides them with the space and time to make those changes,



while meeting new friends. The length of time our members stay varies, though the average is 13 months at The Collective Old Oak, where the minimum stay is four months. At The Collective Canary Wharf, you are able to stay from one night to up to a year.

We have not seen more extroverts than introverts co-living, which might surprise people. In fact, we've learnt from speaking to our more introverted members that co-living makes it very easy to socialise due to the balance of private space with the public space and the option to get involved on their own terms.

How does The Collective differ from other types of rented accommodation?

Ours is a very hassle-free offer. Everything's included in one fee. Everyone has a private bedroom and a private bathroom, along with a communal kitchen on each floor. We also have fantastic shared amenities like roof terraces, games rooms, swimming pools and virtual golf – but what really distinguishes us is our cultural events programme.

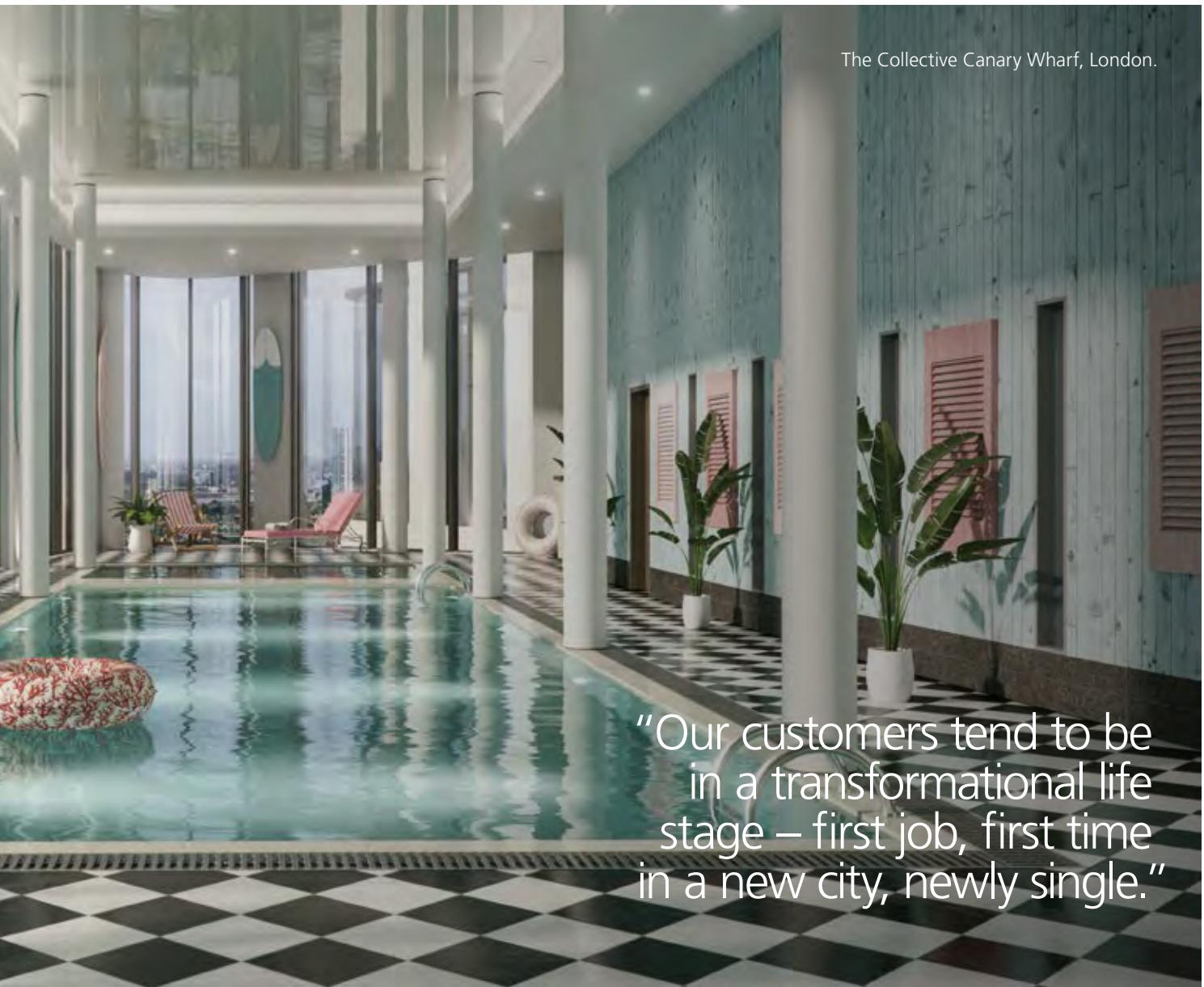
Across our group we are now hosting three events per day, ranging from brunch to parties, to movie nights to wellbeing discussions. Half of these are coordinated by our events team and the other half are self-organised by members. Typical build-to-rent operators don't come close to providing this level of engagement.

How do you anticipate co-living changing in the future?

Through sensors and other technology in our buildings, we are gaining a better understanding of how our members are using our spaces, which will help us find new and better ways to enhance their experiences and make them happier and healthier in our environments.

Co-living is nascent across all geographies, creating a huge opportunity to access new markets. With our international expansion plans, we are aiming to create a network of global members who can stay with us wherever they are in the world.

The Collective Canary Wharf, London.



"Our customers tend to be in a transformational life stage – first job, first time in a new city, newly single."

People are placing more value on experiences rather than things



Rick de Blaby

Chairman,
Get Living

How did Get Living make its entrance?

Get Living launched in May 2013, as one of the very first build-to-rent operating platforms following the Delancey/Qatari Diar acquisition of the London 2012 Athletes' Village, setting out to challenge the private rental sector.

Supported by the Triangle Investment Partnership that now includes Dutch Fund APG and Oxford Properties in addition to the two original Investors, Get Living has championed the growth of the East Village community which is now home to more than 6,500 people and more than 29 independent businesses.

With the launch of a further 500 homes at East Village and 300 homes in Manchester this year, we now manage 3,000 operational homes and have a pipeline of a further 5,000 homes in planning or in development, including new planned neighbourhoods in Glasgow and Leeds.

What is Get Living's approach to build-to-rent?

The vision from the outset was to change the way that people think and feel about renting a home, so that renting is considered a lifestyle choice and not a second option to home ownership.

We pioneered an attitude shift from tenants to customers, offering greater transparency between investor/operator and resident, to build trust, loyalty and advocacy. By a focus on delivering a great home, in a great realm, with exemplary service support, we offer a hassle-free and more rewarding renting experience.

At the beginning, that meant getting rid of fees and making a promise that we would only increase rent in line with the CPI. Then in May 2017 we scrapped security deposits and then returned these to our existing residents, putting almost £3 million back in their pockets. Not surprisingly, we saw an increase in customer retention and satisfaction.

When we look at building new neighbourhoods, we select opportunities where we can deliver 400 homes or more, preferably 700-800, as that scale gives us the public realm and ground floor retail and leisure activation, supporting amenity and the sense of place and community. Scale also gives us the opportunity to deliver greater operational efficiency which again feeds through to resident benefits.

In neighbourhoods such as East Village, we have everything from gyms and beer taprooms to cafes and laser tag, all of whom we work in collaboration with to curate events for our residents, which can take the form of supper clubs and what we call 'Big Nights In.' We also run regular events in the public realm for the wider community, for example food festivals and screening major sporting competitions.

What has Get Living learned as it has grown?

The short answer is a lot. And we're still learning, although I like to think that the financial performance coming through now indicates we're getting a lot right.

Success depends on choreographing many facets of the business well, but great people and a great team sit at the centre of nearly everything. We look for and train people to be hardwired with strong customer service principles and that has led us to often recruit from hospitality, members clubs and retail. There's a great energy in our offices, which is pretty special.

It is becoming more accepted that people will be renting for longer and building for this kind of longevity comes at a higher up front cost than a build-for-sale model. Everything from our taps, to wardrobes, to flooring to kitchens tend to be of higher specification as the residual maintenance responsibility rests with us.

The financial model can be fairly finely balanced because rents are not always as elastic as people think. Rental levels are inevitably correlated to average salary levels for an area and what people can afford and whilst one seeks to offer a range of apartment types and specifications, not everyone can afford the high end, which is why Get Living looks to remain predominantly a mid-market proposition; in the long run, that is where the demand and sustainable resident demand lies.

The maintenance piece has been a key learning point for us. The speed of repairs is a vital and critical element of the resident experience. At East Village we undertake 35-40 works orders per day which involves quite a logistical operation. In response, aside from building a strong team and set of processes to manage this, we've also integrated Google Home into the repair request process and have sought out other ways to make our real estate smarter to improve resident satisfaction.

Technology has become an essential part of the whole resident offer - from the more obvious things like superfast broadband and keyless locks to a range of other data analytics which help us understand the needs of our residents better.

How will living patterns change in coming years?

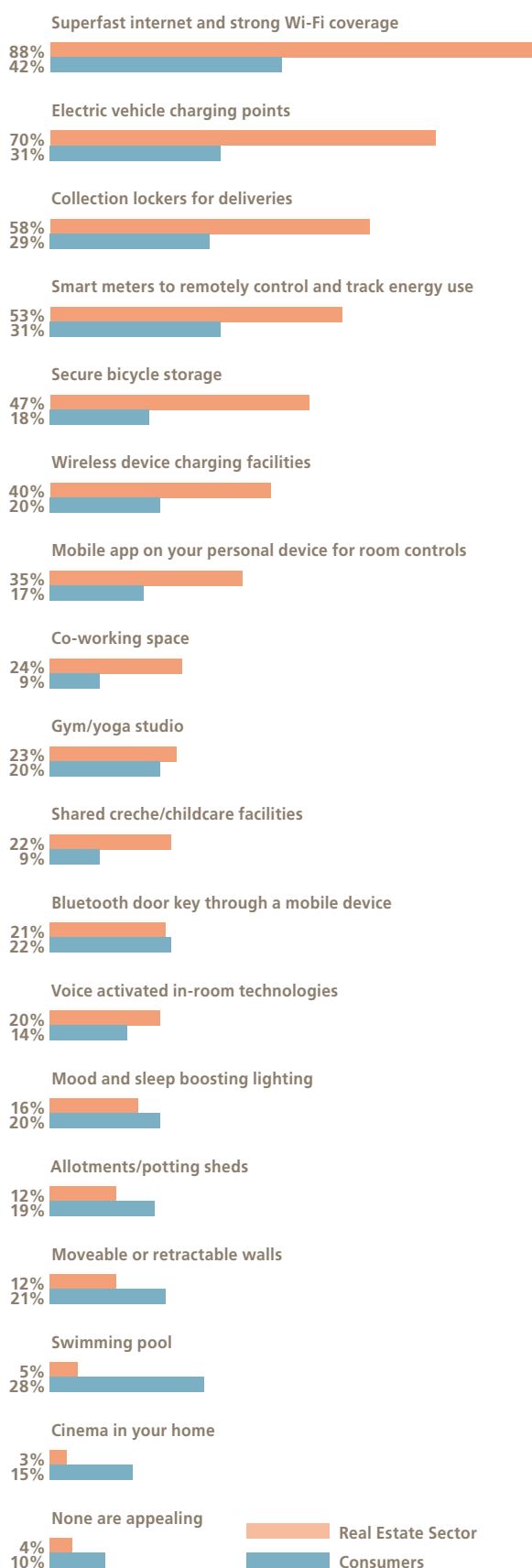
We have seen the emergence of a 'subscription society' where people prefer to rent rather than own, from cars to music and now to homes and furniture. While Millennials are seen to be the generation driving this forward, we are already seeing a trend in older generations choosing to free

themselves of home ownership for a more flexible lifestyle. People are placing more value on experiences rather than things and so customer service will become even more important for the rental sector.

We are living in times of unprecedented change in so many ways. To participate in the build-to-rent sector right now is exciting and everyone at Get Living is energised to play their part in addressing some of the country's housing issues; and part of that is to innovate in ways where we anticipate and respond to changing living patterns.



Q. Which of the following do you think would be appealing to include in your living environment in the next five years?



Although our real estate sector respondents may back certain leisure, wellbeing and technology provisions more strongly than consumers, both groups align quite closely in terms of which they would prioritise.

Superfast internet tops the poll for both groups. Both agree on the importance of environmental measures, ranking electric vehicle charging points and smart meters in their top five.

Interestingly when it comes to the desire for speedy internet, the Baby Boomers outpace the iGens 50% to 37% in our survey. The generation gap in internet use has narrowed markedly. Dubbed the “silver surfers”, recent statistics from ONS show internet use by retired adults has increased by almost 25 percentage points since 2011, to 64% in 2018.

On the appeal of co-working space there is also a lag in enthusiasm from the consumers versus the sector. Though the co-working trend has swept the globe, combining the work and home environment seems to only have modest appeal with consumers.

“Access to the internet is often talked about as a basic need but given so many people’s poor experience of connectivity it’s no surprise to see it top of the list of what consumers want.”

**Henry Pethybridge,
Head of WiredScore Home.**

"Technology has become an essential part of the whole resident offer – from superfast broadband and keyless locks, to a range of other data analytics which help us understand the needs of our residents better."

Rick de Blaby, Get Living.

Moveable and retractable walls come seventh. They create the opportunity for multi-use spaces within the same square footage, which is another indicator of the flexibility consumers now crave. Around one quarter of iGens, Millennials and Gen X find this appealing, whereas Baby Boomers are less swayed at 12%.

The real outliers are at luxury end, with swimming pools and home cinemas ranking 5th and 13th respectively for consumers, 16th and 17th respectively so for the real estate professionals, for whom these amenities are costly to provide. By tracking how often such facilities actually get used by residents, landlords can determine whether the aspirational lifestyle consumers desire correlates with their day-to-day living. Smart technology can play a role in such behavioural analytics.

Surprisingly, the opinions across the generational groups are actually very similar, with only the requirement of allotments twice as high for the Baby Boomers (29%) than for the iGens (12%).



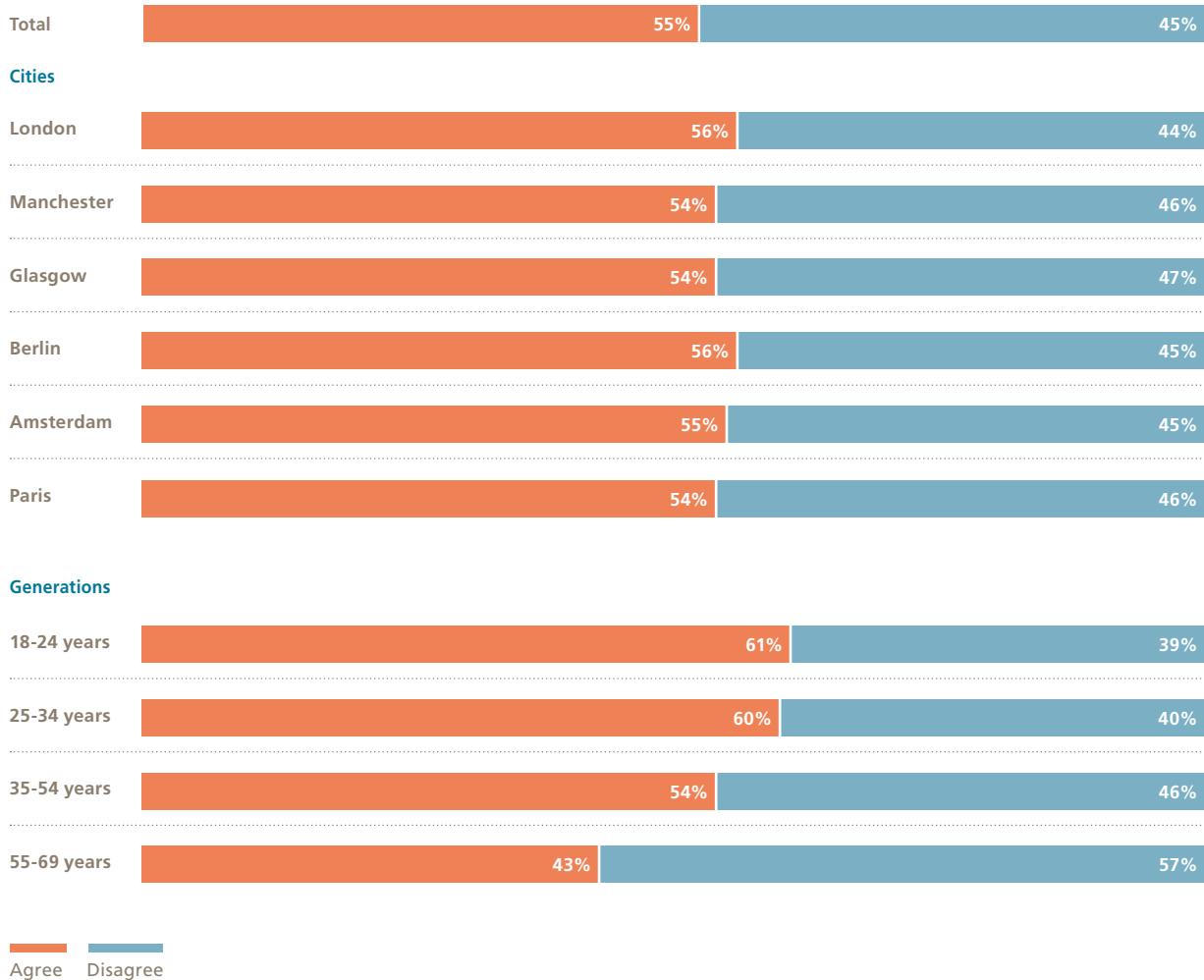
Made to measure: Creating the right residential product

How small?

Nearly two thirds of our real estate sector respondents (65%) are convinced that micro-living will become widespread in urban areas within 20 years.

The consumers we polled have a split view, although a little over half agreeing they would sacrifice personal living space for the promise of better shared facilities. 61% of iGens found this appealing versus 43% of Baby Boomers, a contrast not quite as stark as one might expect.

I would consider a smaller living space in exchange for better shared facilities and community spirit (Consumers)



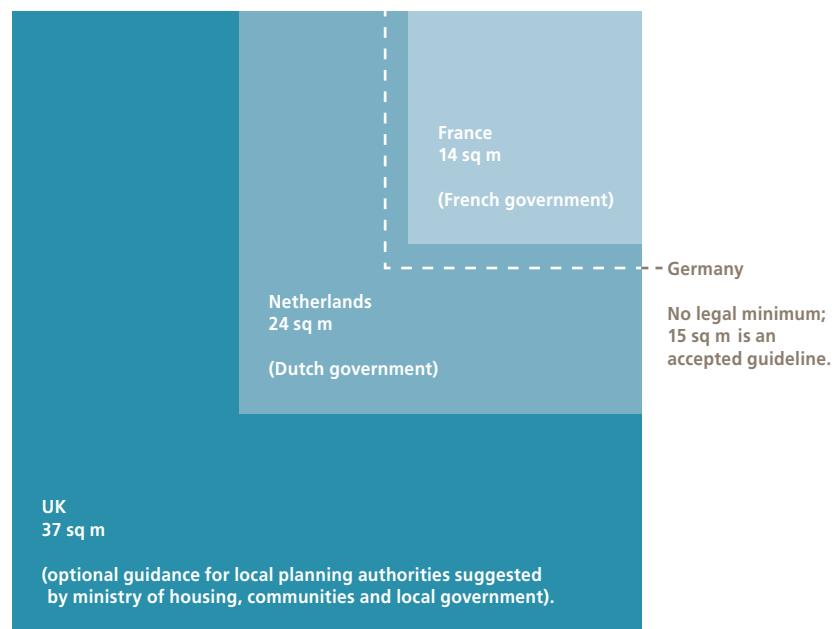
According to the British Property Federation, there is still no common, global definition for what micro-living is. Such solutions sit along a spectrum with self-contained living at one end and shared living at the other. They typically sit below recommended minimum space standards.



UK guidance recommends a higher minimum space in a home than across Europe, with more than twice the size of the requirements in France. This huge difference may well explain why micro-living is booming across the continent but has been slow to take-off at scale in the UK, where sceptical local authorities are not being persuaded to grant planning permission.

The space standards in the UK are, in any event, optional, and local authorities are not obliged to adopt those minimum standards into their planning policies.

Minimum housing standards for one person in a self-contained home



To build out an area almost from scratch in London is a unique opportunity



Angus Dodd
Chief Executive,
Quintain.

Who are Quintain and what is your role?

Quintain develops and invests in property and is currently best known for its 85-acre site at Wembley Park. We apply the extensive experience of a high calibre team to transform unappreciated property and places into highly attractive assets and locations.

Quintain was a listed developer but now is owned 100% by Lone Star funds. I was working at Lone Star when they took the company private in 2015 and moved over to become Chief Executive six months after the acquisition. Since then, we have transformed Quintain into a developer specialising in mixed-use projects with an emphasis on build-to-rent residential. 95% of our people and resources are now focused on Wembley Park.

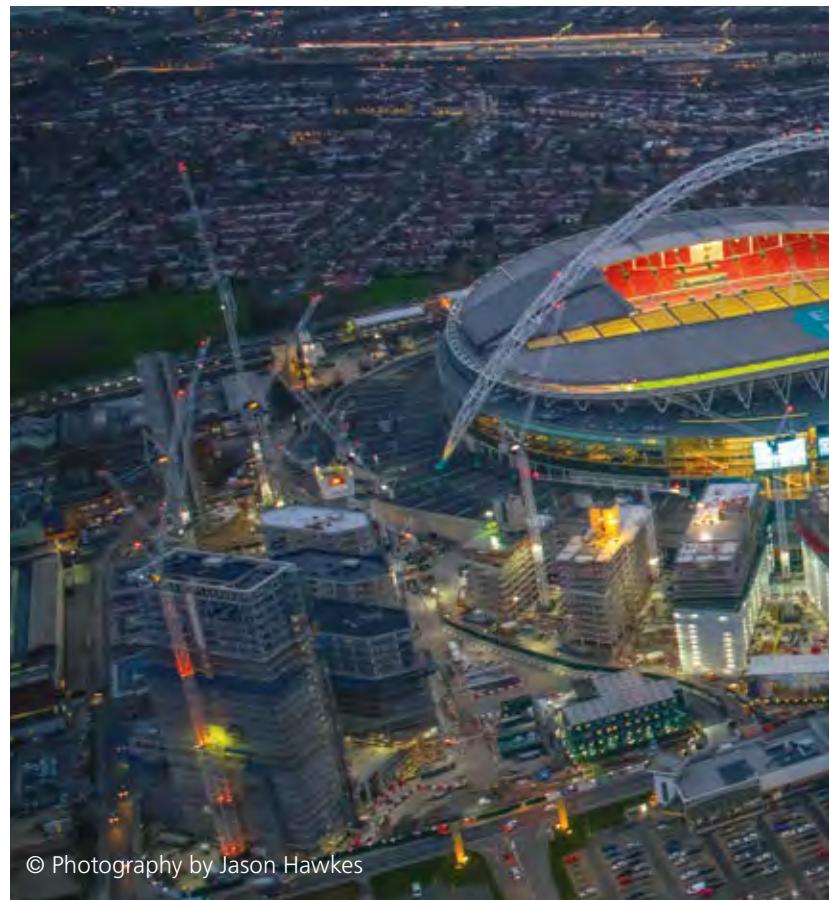
We certainly have aspirations and a strategy to expand beyond Wembley Park. Dublin is our number one target after the London boroughs, but we are also looking at other UK cities.

What's the history of Wembley Park?

Quintain bought the land in 2002 from the then owners of Wembley Stadium. Until 2015, development was ad hoc and piecemeal. Quintain was constrained by cash and, I think, constrained by confidence and commitment. As a public company, they were nervous about having all their eggs in one basket, whatever the quality of that basket.

We sold off non-core assets and reinvested human and cash resources into Wembley Park. At the same time, a wholesale change in strategy in respect of our residential assets was made from for-sale to for-rent. This has put Wembley Park on course to become the biggest single BtR development in the UK. The scale of the project is a remarkable opportunity – single ownership of 85 acres of freehold land in London is comparable to the big historical great estates of the city.

Full ownership is a hugely powerful driver of value in the long-term and gives us the opportunity to properly create a new neighbourhood. Placemaking is an over-used expression now but we have that opportunity with this project. Wembley was previously all car parks and tertiary commercial space. To build out an area almost from scratch in London is a unique opportunity and a huge privilege.



© Photography by Jason Hawkes

Wembley Park has seen over GBP 2bn invested, is home to 3,500 residents and welcomed over 14 million visitors last year. There are approximately 3,100 homes currently under construction and between now and 2022 we expect to invest a further GBP 1bn. We have GBP 1bn worth of construction contracts, which are running on time and to budget and a team of first-class contractors that are experienced and get the job done.

What I like about the build-to-rent model, in the context of mixed-use development, is that there is an economic driver for us to make this place interesting, attractive and entertaining for people, to live, work and play. We're in this for the long run and if people don't like the place, they won't want to live here.

Does Brexit concern you?

Of course it does, it's an insane, ludicrous project. But we are aware of the issues Brexit creates for us. We talk to our contractors all the time. We, and they, have been stockpiling some materials. Brexit might cause labour shortages – but we pride ourselves on the high percentage of locally recruited labour who work for our main contractor framework of Wates, John Sisk & Son, McAleer & Rushe and McLaren. Anything that restricts the supply of materials and movement within the supply chain would be bad for us. I can't see any upside to Brexit at all.

We haven't seen any slackening in demand for our flats. Perhaps one driver is that people are wary of buying at the moment so are choosing to rent instead and waiting to see what happens in the near future. We signed over 100 leases in July.

Why is everyone rushing into BtR?

A confluence of reasons. Number one, in London the whole affordability metric of 13/14 times income is a real barrier to people buying. Prices would have to drop 30 to 50 per cent to make them affordable and that is very unlikely.

Number two, there is, what you could call, the millennial factor, i.e. there is a societal demographic change – people are happy to rent and it is more acceptable than it once was. We use Uber, watch Netflix, you rent both home and furniture, all for flexibility. There is a lifestyle thing going on.

Thirdly, there is a real demand from institutional investors for long-term broadly inflation-linked income and this is supporting the creation of this product.

What does the future hold for the type of asset?

I think it will gradually establish itself in the UK and there will be winners and losers in the market. My view is that it has to be a scalable business; it does not work at small scale. We have a lot to learn from the hotel sector on the challenge of managing low-margin businesses at scale.

Once you have created scale, meaning reaching an initial target of, say, 10,000 units under management then operationally, you will have the income to invest in all the IT, the infrastructure and training you need. There are opportunities for dominant players to emerge. No one has yet become the Hilton of the BtR industry.

Wembley Park, London.

"What I like about the build-to-rent model... is that there is an economic driver for us to make this place interesting, attractive and entertaining for people on a regular basis."

We determine the best way to create spaces that bring excitement and energy back



Eoin Condren
Director of Joint
Ventures, U+I

Who are U+I and what is your role?

Our brand is about being forward thinking and innovative. We challenge the status quo. We respect and celebrate heritage and culture. Most importantly, we deliver great places.

We work in partnership with the public sector as it owns an inordinate amount of land in the UK including a large amount in city centres, but it often may not have the capital and expertise to deliver on the value of this land, despite being under enormous political and financial pressure to do so.

So, it is beginning to turn to companies like U+I who are experts in planning, regeneration, involving community and delivering places where people want to live, work and play.

I raise capital to fund our GBP 11bn GDV development pipeline. These mixed-use schemes will be delivered over the next 5 to 15 years, so I help to forge relationships with large global institutions who have long term horizons.

We are located in three core locations – Dublin, Manchester and the wider London City Region (including places like Brighton, Oxford and Cambridge).

How do you create your mixed-use schemes?

Our business model is to work with public sector bodies with land sites, often brownfield, that are degrading, derelict or underutilised. Together we determine the best way to create spaces that bring excitement and energy back to the area.

We also see ourselves as pioneers in 'meanwhile use', or, indeed, what we now call "worthwhile use" i.e. making the best use of the space whilst the planning and decision-making process is taking place. For example, at 8 Albert Embankment, we helped curate pop-up museums, local artist workshops and an Institute of Imagination, which has meant that over 50,000 people have visited the site whilst we've been going through the planning process. This gives us immediate and detailed interaction with the local community.

What makes you choose a particular location?

We like to concentrate on places that are strong in the Four Ts. Transport. London has Gatwick and Heathrow – two of the busiest airports in the world. Manchester airport is the third largest airport in the UK and Dublin airport is bigger than Manchester.



Talent. All our focus locations have leading universities which means a young talented workforce will grow and renew on a regular basis. Long-term growth is going to occur in these cities, and this is where international corporations want to be.

Tourism. This turns a place into a 24-hour city – tourists demand entertainment, nightlife, transport and accommodation. These elements create buzz and put you on the map. When I was in Asia recently doing some fundraising, I was blown away by the amount of people who knew all about Manchester. In the context of the world map it is pretty small, but in terms of its international ‘fame’ it is standout city. This may in part be down to Oasis and Premier League football, but international corporations put it high up the list of European cities.

Tolerance. International corporations in the world today want to be in cities that show tolerance for diversity.

And soon we plan to add a fifth T – Technology. So, it may soon be the Five Ts. We are already looking at digital infrastructure and how fast each city is adopting new technology.

Is a new development philosophy taking hold?

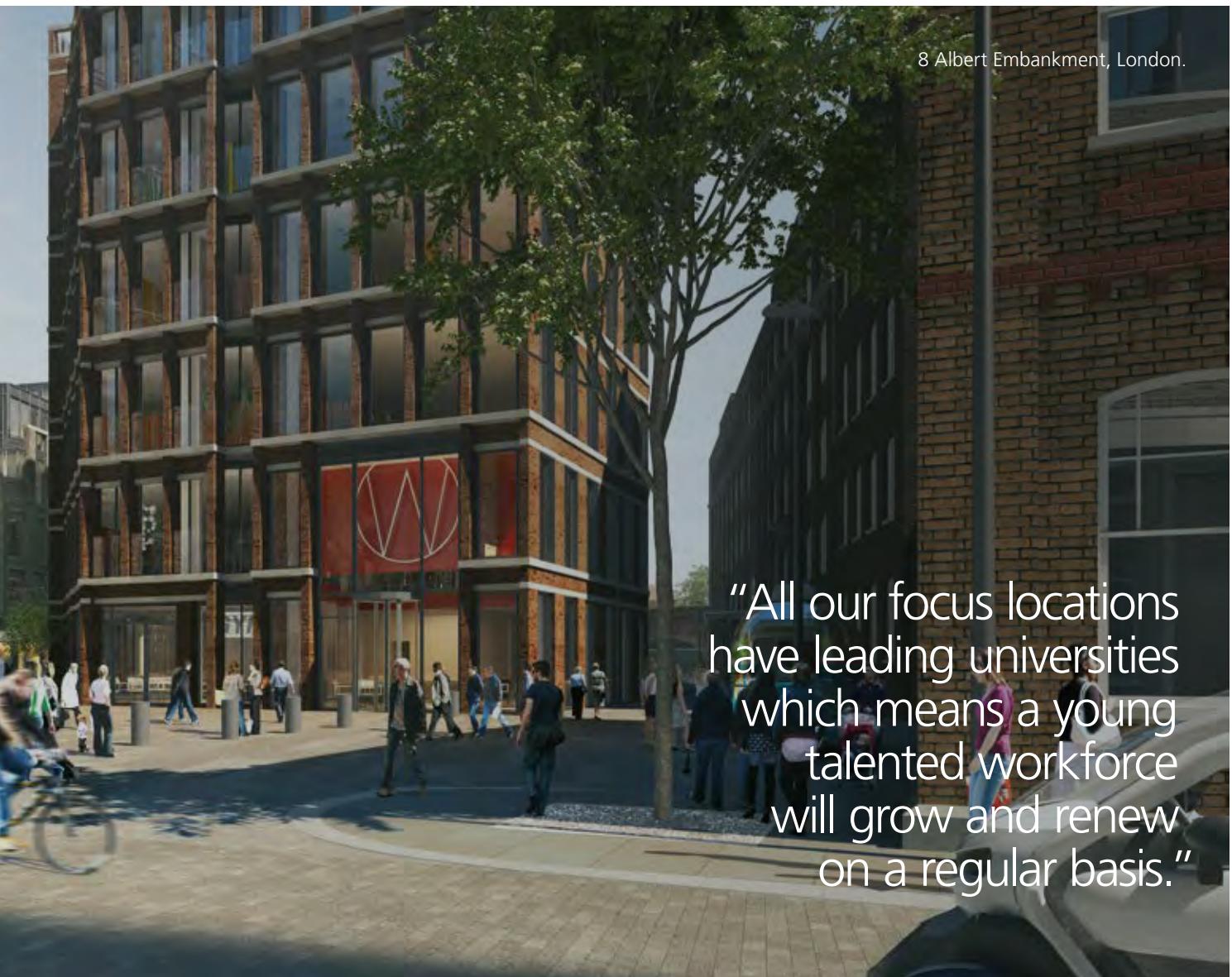
In the past it was ‘build and they will come’ but now you have to convince them to come and make sure that they stay. We curate places so people and talent will thrive there over the long-term.

The public sector is waking up to the damaging effects of simply looking for best price out of a PPP scheme. We believe this leads to a race to the bottom where the winning bid invariably has the most aggressive cost assumptions. Instead, the public sector is becoming more pro-active in working with partners such as U+I who focus on value, bring new ideas and concepts to the table, and deliver places that will last for generations because people, young and old can interact, work and live there.

The value we bring is in fixing what is broken rather than patching over it, so that the oxygen of life and jobs can be breathed back into an area.

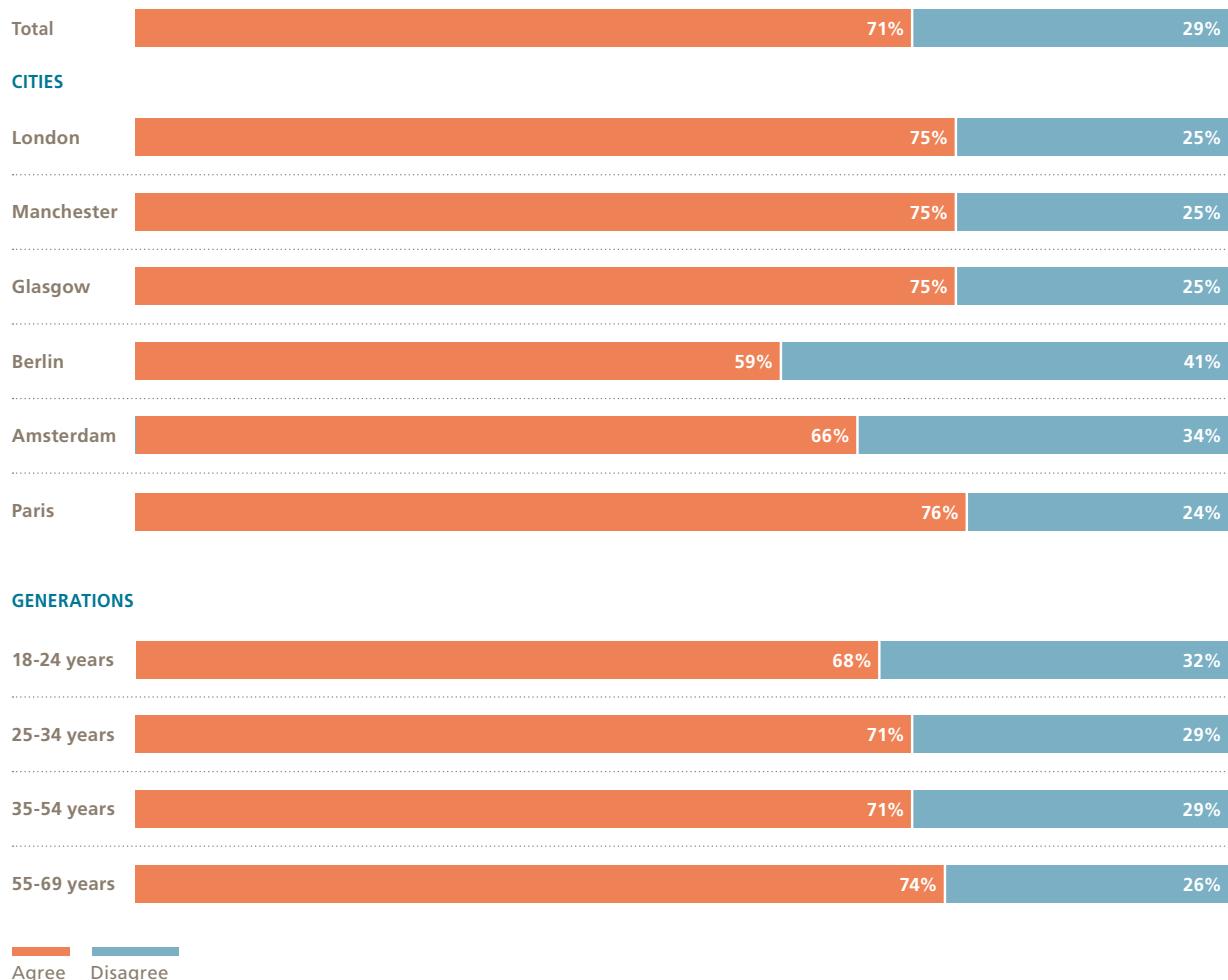
8 Albert Embankment, London.

“All our focus locations have leading universities which means a young talented workforce will grow and renew on a regular basis.”



How tall?

I wouldn't want to live in a high rise, multi-floor building (Consumer)



High rise is unpopular with consumers, and there are striking similarities across generations and cities.

When compared to what our real estate respondents thought, their views are largely out of sync with only 41% believing that people wouldn't want to live in a high-rise building compared to 71% of consumers.

In space constrained cities, there needs to be a recognition that high rise is often a necessity as there is simply not enough land available to make other options feasible.

There is a view that high rise is undesirable for people with young families, so developers will have to work hard to prove this is not the case. This may require greater focus on public realm around high rise buildings. Taking a leaf from office developments like 22 Bishopsgate, we may see the emergence of vertical communities as part of high rise rental schemes.

In London in particular, the Grenfell tragedy has caused concerns about whether high rise buildings have suitable fire evacuation provision. To address this notion, the industry must restore confidence with consumers that safety measures are in place.

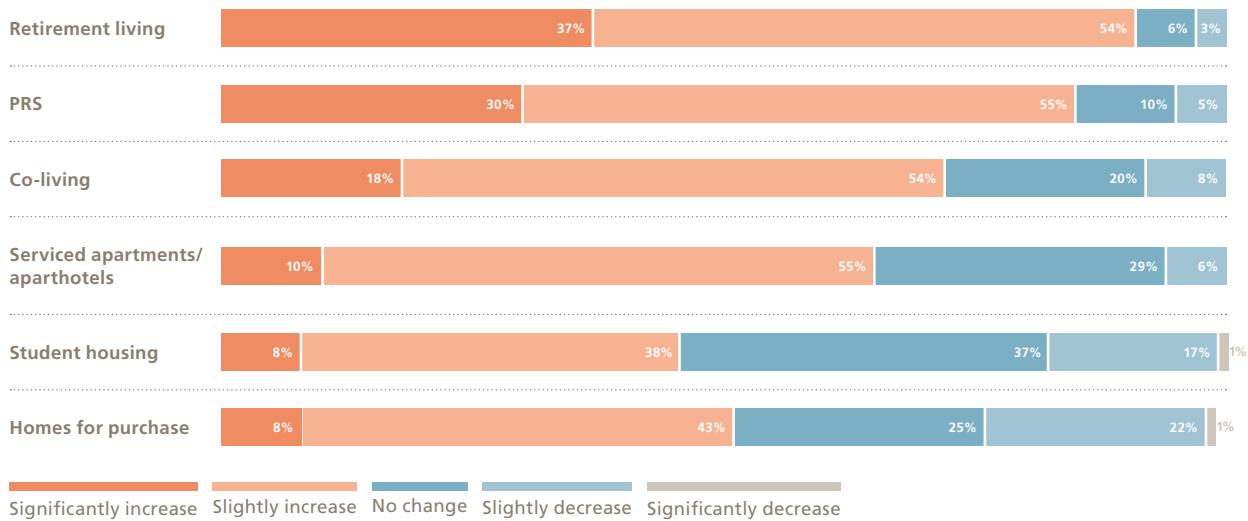
Ultimately, there is still a misconception in the residential market that high-rise equals poor quality living. This is probably a hangover from when the Government erected a mass of cheap buildings in the 1950 and 60s re-building programme following the war.

However, building regulations and standards are at a different level now and the materials used in construction of new high-rise buildings are of a quality and durability on a different level to their predecessors.

Supplying demand: industry views on residential alternatives

Residential attraction

Q. How do you expect demand to change for the following over the next five years?
(Real Estate Sector)



Our real estate sector respondents are overwhelmingly positive about the full spectrum of residential alternatives. With housing shortages in most dominant markets, they see accommodation provision increasing across the board.

The most controversial rental solution is co-living, as some feel that the size and density of these schemes is a step too far, however, 72% of our industry respondents remain positive about increasing demand. Its advocates say that this type of living arrangement is ideal for people looking to live more openly and communally with others in order to make friends, share ideas and enjoy life.

Historically, the 'beds for rent' sector in the UK and Europe has been viewed as a mix of independent asset classes.

However, our results indicate that there is significant investor appetite (71%) for grouping BtR/PRS, student accommodation, retirement living and other alternatives within a single portfolio. This could fundamentally reshape investment strategies going forward.

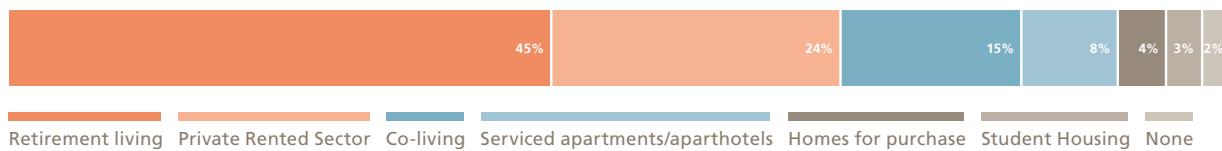
There are lessons the industry can learn from North America, where the investment case for a blended approach is strong. Arguably this can lead to a more cohesive strategy for residential investment that may help to bolster more nascent accommodation sectors like co-living and key worker housing, all of which have a role to play in meeting varied housing needs of different societal groups.

"Co-living is nascent across all geographies, creating a huge opportunity to access new markets... Co-living makes it very easy to socialise due to the great balance of private space with public space."

Jill Ju, The Collective.

Later living leads the way

Q. Which of the following do you believe to have the most growth potential over the next five years?
(Real Estate Sector)



As the way we live is evolving, the housing market is diversifying to meet our changing requirements. The legal classification of residential uses, particularly in the UK, has not yet caught up with the new forms of housing products being introduced. A more granular and flexible approach is needed to support investor confidence, changing demand and exit strategies.

While each subsector offers different risk/return profiles, overarching demographic trends suggest that growth potential is universal. Having a balanced portfolio across the various facets of 'living' means owners can hedge for secure rental income.

Retirement living holds the greatest opportunity for 45% of our real estate sector respondents. There is now real momentum behind the senior housing sector. Supply is low and demographic factors point to increasing demand.

Furthermore, the Baby Boomer generation has accumulated significant wealth which can be deployed on retirement accommodation, making this an attractive market from an investment point of view. The global volume of money invested in this asset type reached USD 13bn in 2018, however the UK and Europe remain comparatively undeveloped.

Rental solutions arguably have the potential to offer higher quality accommodation that is better tailored to the needs of an ageing population which includes significant numbers of retired people who are in good health, active and seeking a sense of community.

By drawing older people out of isolated homes into rental communities, not only can the burden of property upkeep be reduced, but the chronic problem of loneliness amongst the elderly can also be addressed.

It is worth noting that though countries may be ageing, cities continue to be hotspots for young talent. Berlin has become the most popular destination for people under the age of 40 in Europe. Similarly, Amsterdam will set a new national population record by becoming the first Dutch city with over a million inhabitants by 2034. This growth is almost entirely due to immigration from other countries and young Dutch people in the 17-27 age bracket migrating to the city to study and work.

In spite of this, many of those we interviewed felt that city living would be a big draw for older generations too in the future. As people retain their health and mobility much later into life, they want to access the level of leisure and entertainment that only a city can offer. More centrally located retirement living options could therefore see high demand once created. Signalling this, in May 2019 L&G announced its plans to spend GBP 2bn building 3,000 retirement homes in city centres across the UK under its Guild Living brand.

"Over 60s own GBP 1.5 trillion of UK housing equity, while only 1% of them live in specialist retirement accommodation, compared to 17% in the US."

**Charles Ferguson Davie,
Moorfield Group.**

Risks and Rewards: attractiveness of the PRS sector

Challenging regulatory requirements, tax, planning and most of all, rent controls have the potential to stifle the growth of the PRS sector according to our real estate sector respondents. Zoning issues and building codes were cited as particular issues by our interviewees.

Q. Which of the following do you consider to be key issues or risks for investors/developers in PRS in the short term? (Real Estate Sector)



“Generally the residential market is under supplied so there is upwards pressure on rents. It delivers strong recurring income returns.”

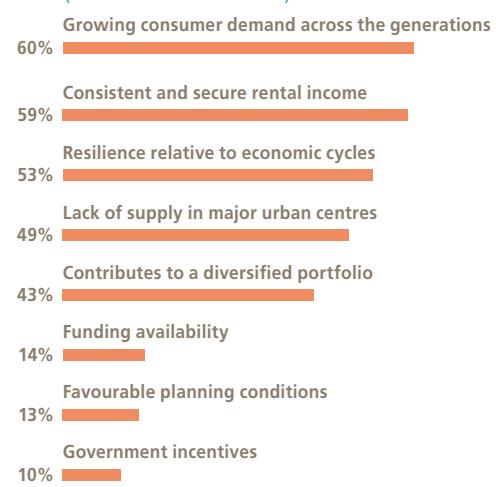
Martijn Vos, APG.

The message from the industry appears to be that governments need to act as effective partners, rather than in ways that hinder the creation of new homes of all types. Less regulation, greater flexibility in terms of planning and tax incentives could pave the way for faster progress.

It is interesting that the most commonly cited risks are all essentially what we might call supply-side risks. The tenant perspective comes further down the list, showing the industry is relatively confident it knows what its customer wants.

The demographic factors which point to increasing customer demand for PRS are well versed. In addition, our real estate respondents clearly feel this is an asset that delivers a solid long-term income which is better insulated from economic cycles in comparison to other major asset types like offices and retail.

Q. Which of the following factors do you feel increase the appeal of investing in PRS/BtR? (Real Estate Sector)



Education is one of the UK's greatest exports



Craig Inglis
Chief Executive
and Founder,
Structured House Group

Tell me about your company

Our Glasgow-based business was founded in 2012 with the ambition to do things differently. We operate in partnership with Harrison Street. Together we are developers of enhanced residential product across student accommodation, BtR, co-living and hotels.

We source sites, gain planning, develop and then manage the accommodation through our operator brand 'BOHO'. In just over five years we have helped develop over 5,000 beds and apartments, either on site or in planning.

Where are your schemes?

We started in Scotland but now have schemes across the UK – in Glasgow, Edinburgh, Liverpool, Cardiff, Plymouth and Dundee.

Education is one of the UK's greatest exports, so that's where we put our initial efforts, with great success. For example, our Scotbury House scheme in Glasgow achieved rentals of GBP 325 per week, much higher than anticipated.

We have a co-living hotel in Dundee, the first of its type in the UK. It is a similar concept to The Student Hotel which originated in the Netherlands. Our guests can be students or professionals and can stay anything from one night to a whole year. There's co-working space on the ground floor. The planning permission was tricky and ended up being for a long stay hotel and hotel. It is a good example of why use classes for property need to be overhauled. The circular economy means a hotel is not just a hotel anymore. Owners need the flexibility to address excess occupancy creatively.

We are always looking for new opportunities as we think the Scottish market is cooling. Achieving planning permission in Edinburgh has become too time consuming.

Manchester has seen a lot of activity and is starting to overheat. Instead, we are looking closely at Stockport and other secondary markets like Norwich where an early mover advantage may be possible.

We have also been looking at Europe for the last two years. We have taken our time to find the right locations and partners on the ground to be successful. To that end we have schemes in Valencia, Grenada, Seville and in Lisbon.



We have avoided some major cities like Amsterdam which is very expensive and where rent caps mean it is difficult to make non-prime sites work. We are wary of the introduction of rent caps in the UK. This would be a mistake and put a dampener on a much-needed growing market.

Lisbon is a particularly attractive opportunity. It has 115,000 students and only about 500 beds managed professionally, putting it 10-15 years behind the UK. So we're commercialising that market. The same applies to Valencia, where student and young professional accommodation is a cottage-type industry.

Will Brexit influence your European development schemes?

Both the Remain and Brexit camp are over egging the pudding. The whole process is taking too long. Just make a decision and we'll take our medicine.

We set-up our European business (Structured House Global) in the Netherlands in Den Haag six months ago as part of our planning, so the four European sites are protected from any fall out from Brexit.

How about another Scottish referendum?

We nearly lost our business the last time we had a referendum in Scotland. We had sold two big schemes to UK companies subject to Scotland remaining part of the UK. At 3am in the morning we nearly lost the company and at 7.30am we had it back. I do not think this is the right time to put an independence vote back on the table. We need a period of clarity and stability.

Tell us more about your BOHO brand

For us, retaining ownership of our management company is an important part of our competitive advantage as it means we are closer to our customers.

All of our schemes reflect our BOHO brand values. To be bohemian means to live openly in the company of like-minded people. We want all of our residents to feel part of the BOHO community and to stay with us at many different stages in their lives. We are there for the whole journey.

Scotway House, Glasgow.

"To be bohemian means to live openly in the company of like-minded people. We want all of our residents to feel part of the BOHO community and to stay with us at many stages in their lives."

Having someone good to talk to on reception is crucial



Mark Dawson

Director,
Vita Group

Please tell us about Vita Group>Select Property Group

Select has been operating since 2004, and we now operate in the UK's strongest investment sectors through brands that achieve high yields and long-term capital growth.

Affinity Living is Select Property Group's premium residential property brand. It builds high-quality apartments with excellent communal facilities in prime city centre locations.

Vita Student by Vita Group is one of the UK's leading purpose-built student property providers, with developments again located in the UK's Russell Group university cities.

And CitySuites by Vita Group operates serviced apartments with the service of a five-star hotel to create in prime UK city centre locations.

We now have 6,000 units across a range of residential asset classes, with a further 4,500 in development.

We started out by selling properties we developed, but they are now largely retained, meaning we have built up a sizeable investment portfolio.

How does Select's approach differ from others in your field?

We create a quality product in quality locations. In the student accommodation world, we are behind premium developments. So, for example, in many schemes we have Mandarin-speaking hosts operating from our front desks to assist our Chinese student residents. We also run a full-service front desk with other features such as enhanced security, events and other lifestyle offerings.

How are student trends evolving?

What's really important is to balance people's twin wishes to be sociable, at the same time as being given the privacy and space they need to study. That's a crucial balance we nowadays always try to achieve.

Good quality communal rooms, including study rooms, are vital: not everyone wants to study alone in their bedroom.

Just as people are increasingly congregating in co-working spaces, students also want to share public areas to read a book, listen to music or just chill.



We also pay attention to detail: what seems like a small thing, like offering pastries for a grab and go breakfast and good coffee is important to people. So are amenities like quality gyms with the latest equipment and personal trainers.

Who do you recruit to operate your buildings?

Having someone good to talk to on reception is crucial – you can't just have someone there who is on the minimum wage and not feeling good about their role. They have to be enthused to make customers feel enthused. The people who operate our buildings are recruited from the retail and hospitality sectors, so that they have already learned the softer skills.

What's your next move in the residential world?

In terms of build-to-rent, there is a lot being built in some cities – particularly Manchester – but there is a housing shortage and if you come up with the right product at the right price people will do well in that market – this is why we are looking at a co-living product.

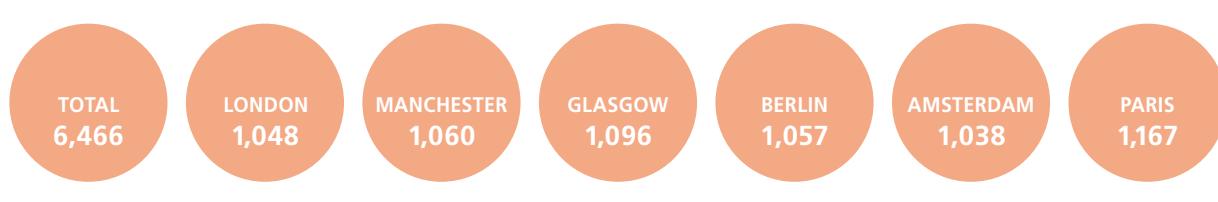
Teenagers today who will be the renters of tomorrow see themselves as very different – that rental market is only going to grow as lifestyles continue to change.



Methodology

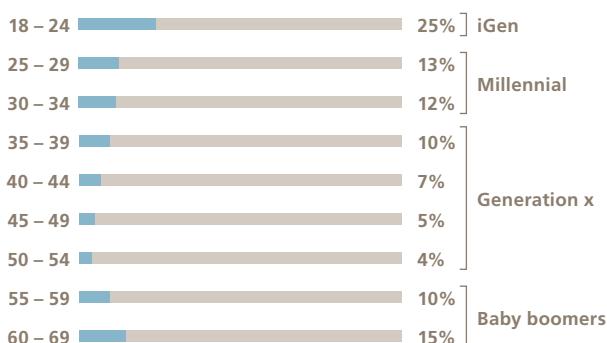
European cities

Our consumer poll, conducted during July 2019 in conjunction with FTI Consulting, gathered the opinions of 6,466 respondents living, or working in either London, Manchester, Glasgow, Berlin, Amsterdam or Paris.

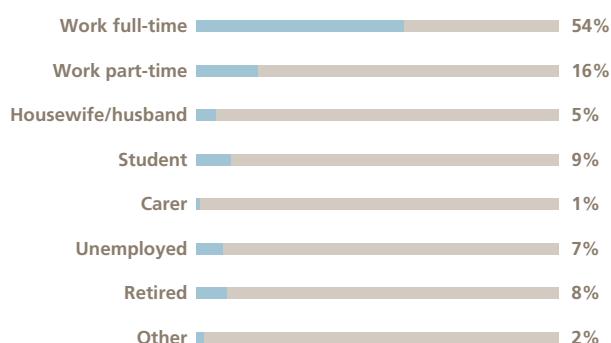


Results were weighted by the number of respondents in each city, age and gender to ensure each city can be cross-compared. Due to the convention of rounding, some totals may not add up to 100%.

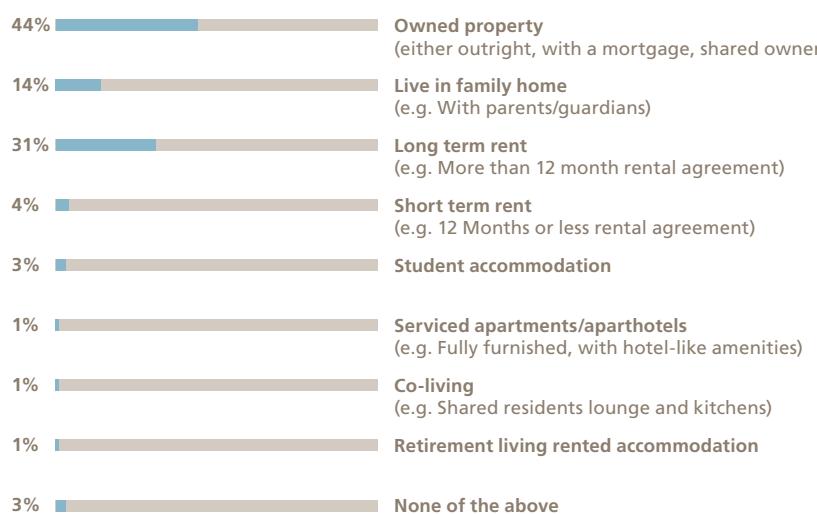
Age ranges



Employment situation

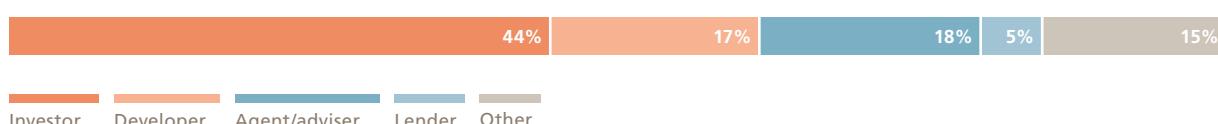


Current living arrangements



Real estate professionals

Our industry poll, conducted during July 2019 in conjunction with FTI Consulting, gathered the opinions of 206 global real estate professionals, with total assets of over £3bn. The profile of this group is broken down as follows:





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