CUSHMAN & WAKEFIELD

DEMOGRAPHIC OUTLOOK 2020

Real estate has not kept pace with changing demographics

INTRO

A CHANGING DEMOGRAPHIC PROFILE: MORE ELDERLY – MORE DIVERSE

The population in Europe has seen substantial change over the past few decades:

The population is getting older – the population pyramid is becoming top-heavy

Medical progress, a long period of stability and of peace, less dangerous working conditions and good food supply are resulting in longer lifespans than ever before and increased the proportion of the 65+age group in Europe from 12% in 1980 to almost 19% today. Over the same period the 0-14 group declined from 22% to 16% whilst the proportion of population of working age today is the same as in 1980.[1]

People live in towns and cities

In 1950 30% of the world's population was living in cities, today this has increased to 55%. In 2050, more than two-thirds of the world's population will live in urban conglomerations[1]. This large-scale influx of people into urban areas is even stronger in Europe, with almost 75% of the total European population already living in cities.

More small households

Single-person households are the most common type of household in Europe, representing one third (33.9 %) of the total number, and recording the most pronounced increase from 2008 to 2018[2].

Greater diversity within the population

Migration movements between European countries has intensified, primarily as a result of the European Union's open borders.

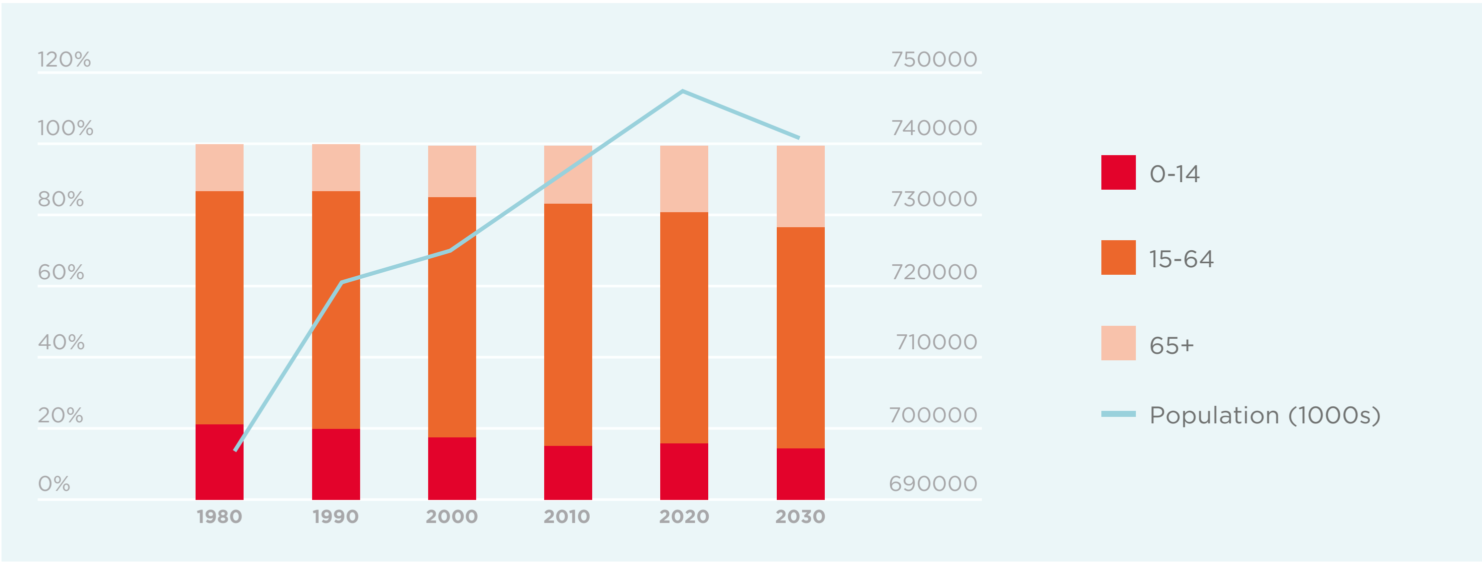
Youngers are more demanding

The younger population is increasingly demanding towards work/life balance.

Elderly also need life/work balance and flexibility

According to the 2018 Global Talent Trends study, 51% of employees wish their company offered more flexible work options. So over half, but as we reach our older years this increases to almost three quarters. A study by Timewise and EY indicated that 72% of workers aged 55+ want to work flexibly[3].

EUROPE: TOTAL POPULATION AND ITS COMPOSITION, 10-YEAR PERIODS



Source: United Nations, Department of Economic and Social Affairs, Population Division (2019). World Population Prospects 2019, Online Edition. Rev.1, Medium Variant

1 The 8 Ways Urban Demographics are Changing, Visual Capitalist 2019
https://www.visualcapitalist.com/8-ways-urban-demographics-changing/

2 Eurostat, Household Composition Statistics May 2019, © European Union, 1995-2019

3 Flexible Working: a Talent Imperative Timewise in partnership with EY, September 2017
https://timewise.co.uk/wp-content/uploads/2019/06/Flexible_working_Talent_Imperative.pdf

In **2030** London will join Moscow and Paris as the **third European megacity** counting more than **10 million** inhabitants

Source: United Nations, department of economics and social affairs, population division (2019). World urbanization prospects. New York: United Nations

	POPULATION (1,000s)				CHANGE (1000s)	
CITY	2010	2020	2025	2030	2010-2020	2020-2030
Paris	10,460*	11,017	11,347	11,710	557	693
Berlin	3,450	3,562	3,580	3,606	112	44
Athinai (Athens)	3,170	3,153	3,155	3,163	-17	10
Milano (Milan)	3,056	3,140	3,167	3,209	84	69
Roma (Rome)	3,957	4,257	4,347	4,413	300	156
Lisboa (Lisbon)	2,812	2,957	3,028**	3,085	145	128
Moskva (Moscow)	11,461*	12,538	12,737	12,796	1,077	258
Sankt Peterburg (Saint Petersburg)	4,872	5,468	5,597	5,630	596	163
Barcelona	4,934	5,586	5,733	5,812	652	226
Madrid	5,787	6,618	6,811	6,907	830	290
Kyiv (Kiev)	2,795	2,988	3,018**	3,004	193	16
London	8,044	9,304	9,841	10,228*	1,260	924

*Megacity

**Transfer to 3m+ inhabitants

Source: United Nations, Department of Economic and Social Affairs, Population Division (2019). World Population Prospects 2019, Online Edition. Rev.1, Medium Variant

These trends are foreseen to continue, apart from the increase in the number of European citizens: The UN forecasts that, not only will the population of Europe peak in 2021, but it will continue to age. The proportion of the total population of those aged 65 years or above is projected to rise to **30%** by 2100 whilst those aged 80 years or above will increase to **14%**.[4]

4 United Nations, Department of Economic and Social Affairs, Population Division (2019). World Population Prospects 2019, Online Edition. Rev.1, Medium Variant

WHAT ARE THE EFFECTS ON REAL ESTATE?

- Age, cultural background and requirements of **building users** will gradually become even **more diverse**.
- Increasing population in urban areas is likely to result in higher competition for space to live, work and play.
- Whilst the quality of life for some has and will continue to improve, for others it will gradually deteriorate. Unless something is done to invert the process - the real estate industry has a significant role to play here.

The growing influx of people into cities will affect its infrastructure (public transport, public spaces, schools, hospitals) which has to evolve to face changing geo-demographics.

In the short term, mobility will be a major threat. The advent of self-driving vehicles, improved public transport, e-scooters et al are all promised but the final impact on mobility remains unknown and seemingly always at 'some' point in the future.

5 Estates Gazette, Electric vehicles, multi-storeys and mixed uses, Estates Gazette 2018
https://www.egi.co.uk/news/electric-vehicles-multi-storeys-and-mixed-uses/

WHAT ARE THE OPPORTUNITIES?

- **E-commerce** has room to progress with the worsening mobility in the cities and resulting increase in commuting times. Although the ageing of the population will balance this growth, silver shoppers are more motivated towards physical retail and experience. Recent studies show that over three-quarters of baby boomers prefer to shop in-store.
- **Urban logistics** will increase massively with e-commerce development. According to Cushman & Wakefield's Urban Space Model, the requirement for urban logistics space in European key cities will rise by nearly 90% to 2021.
- **Innovative property solutions** can be created, to harmonise the interest of an increasingly diverse public. That is, creating multi-functional inner-city districts and buildings that can easily be adopted for different uses – from space for micro-living to space for family living, from office space to residential space, as parking during the day and micro-depot for last-mile delivery overnight, retail space to shared space with social meeting points. But also to use land and existing stock more intelligently; both more efficiently and also offering high quality and wellbeing.
- Older generations could profit from **new concepts** created by and for the younger generation, such as intergenerational living or co-locating. The sharing economy could evolve into the idea of **shared living**, bringing heterogenous consumer bases together.
- Nearly half of 2018's alternative investment was in **hotels** - with people living longer, travelling more and millennial's desire for experiences over goods, the **hospitality and leisure industry** stands to benefit.
- Private development projects should include additional public spaces in order to build lively communities fully integrated with cities.

More than

75%

of third-party logistics providers anticipate taking more warehouse space by 2020.[5]

5 Estates Gazette, Electric vehicles, multi-storeys and mixed uses, Estates Gazette 2018
https://www.egi.co.uk/news/electric-vehicles-multi-storeys-and-mixed-uses/

HOW HAS THE REAL ESTATE INDUSTRY REACTED TO DATE?

- Real Estate reacted by developing more residential space in the urban areas which addresses particular single-age groups and income groups by focusing on micro-apartment buildings for young people and business commuters, special senior housing complexes, luxury residential apartments and gated communities.

Typically, single-use real estate is changing to mixed-use:

  - Barratt London and SEGRO are developing London's first large-scale mixed-use industrial and residential development in Hillingdon, to be launched by mid-2020.
  - Food discounters in Germany are planning to add residential storeys onto their low-rise buildings and to integrate residential space into their new developments.

- Urban renewal is increasingly recognised as a key pillar in providing housing for an ageing population.[6]

The Government of Ireland has made this its key principle in delivering for an ageing society. Alongside this sit; ageing in place, promoting sustainable lifetime housing, using assistive technology, staying socially connected and importantly, working together. There is a tremendous opportunity for the real estate industry and local / national authorities to work together to share knowledge

- Retailers are making efforts to make shopping more attractive for the elderly:
  - Anchor, a UK non-profit housing and care provider for the elderly, has launched a campaign (Standing Up 4 Sitting Down) appealing to retailers and high street managers to provide seating in stores and high streets to improve the shopping experience for older people.
  - UK supermarkets including Sainsburys, Waitrose, Tesco and The Co-op have launched "slow shopping" initiatives offering a more relaxed, assisted shopping experience for elderly shoppers and customers with mental-health needs

- Co-living has grown rapidly in recent years as a convenient and affordable option for renters, with hundreds of co-living spaces now located around the world.
  - The Collective, located in London, offers co-living and co-working space; WeLive allows tenants to stay for a couple of nights or months at a time; Roam has a network of co-living spaces around the world in Bali, Miami, Tokyo, San Francisco and London.
  - There is also growing potential for co-housing amongst the elderly as a cost-effective mode of living after retirement, bringing with it a sense of community and helping to tackle isolation and loneliness in the older generation.
- Initiatives are promoting co-living and co-housing of younger and older people in the same property.
  - Property uses are diversifying in innovative ways, such as the Humanitas retirement home in the Netherlands where students live free of charge alongside the elderly residents. In return, the students devote 30 hours each month to the elderly residents.

  - A Municipal Project in Alicante addresses the housing needs of low-income citizens over the age of 65 and young people aged under 35 by providing affordable, intergenerational housing in urban areas. Each young person takes care of four older people in the building, spending a few hours of their time each week with the older residents.
- Development of special senior housing blocks combined with children's nursery homes has increased significantly since the first intergenerational care scheme was recorded in Tokyo in 1976. While the rest of the world has been slow to catch up, similar centres now exist around the world.
  - In Seattle, Providence Mount St Vincent has housed the Intergenerational Learning Centre since 1991. Located in a care home, children from the onsite nursery join the residents for activities such as music, dancing and art.
  - A project in Australia has recently completed two successful intergenerational care trials aimed at improving the wellbeing of elderly citizens with dementia.
  - In the UK, Nightingale House became the first intergenerational care centre when Apples & Honey Nursery opened within the grounds of the care home in 2017.
  - Singapore plans to develop ten intergenerational projects over the next decade.

The outcomes have been positive for both young and old. Benefits for the elderly included improved physical and mental health, while the children saw improvements to their language development, reading and social skills. There are further benefits in terms of tackling loneliness and isolation among the elderly residents.

6 Source: Housing options for our ageing population. Policy Statement 2018. Housing.gov.ie; heath.gov.ie

WHERE ARE THE GAPS

All solutions invented so far react to specific problems but do not provide complete remedies for our changing society. If a solution fulfils one need it is certain to fail to address many others. From a real estate perspective, the most important change is the perception of risk and the traditional approach to investment strategies.

With regard to specific sectors, additional gaps occur which will require appropriate responses and transformation of our traditional views.

- The retail sector is about experience and convenience. Both are important depending on the product being sought or the mission being addressed.

  Older people adopt new technology slowly but it is worth noting that soon, a large proportion of consumers will have grown up with a mobile device in their hand.

  Different age profiles demand different approaches from retailers: According to the BoF McKinsey State of Fashion Report, **41%** of customers demand the personalisation of their shopping experiences; a report by Anchor revealed that **60%** of older people are concerned about the limited seating that is provided in shopping areas.

  Retail lacks stores which provide a balance of high-tech solutions and full customer support. We will see retail adopt a social role at convenience schemes placed in small communities, increasingly becoming a protagonist of the social community.

- E-commerce is facing the challenge of fast and reliable delivery demanded by consumers. To provide this, retailers are looking for inner-city logistics locations (last-mile facilities). The scarcity of space in the cities in parallel with ever-increasing traffic volume, requires innovative solutions. According to McKinsey, by 2025 the number of packages sent will be double the number today. New forms of logistics space need to be created, most likely by adapting spaces that became redundant. This trend is however in contradiction with the ever-stricter requirements to reduce pollution in city centres, so alternative mobility approaches from logistics operators and retailers become inevitable.

INFO POINT

> **Last-mile storage and distribution multi-storey warehouse to be built in London**
Source: costar.com

WHAT YOU NEED TO KNOW 2020

- **FOCUS** on the development/ regeneration of **schemes that no longer align with the demographic profile of an area**. Designed for dense urban centres and adapted to different age profiles and diverse cultural backgrounds.

- **PROVIDE** office space and residential units as a package to large occupiers, facilitating the **attraction of new talent**.

- **IDENTIFY AND RETHINK** redundant assets (car parking, fuel-filling stations, non-performing retail galleries) and adapt them to **demographically driven requirements:** last mile logistics, click & collect, flexible office space, micro living.

- **CONCENTRATE** on **residential space for the middle-income population**, adapted to the increasingly smaller households and to different age groups. Develop the micro living concept. Promote diversity of residential property at affordable prices.

- **ALIGN private-sector developments with placemaking**, creating well-designed public spaces and successful real estate projects ensure the development accounts for differing expectations that are prevalent across the demographic spectrum.

Andrew Phipps
Head of EMEA Research & Insight
Cushman & Wakefield, LLP
125 Old Broad Street,
London, EC2N 1AR, UK
Tel: +44 (0) 20 3296 4236
andrew.phipps@cushwake.com
cushmanwakefield.com

Outlook 2020 was researched and written by the Cushman & Wakefield Research & Insight team members from across EMEA.

Cushman & Wakefield (C&W) is known the world-over as an industry knowledge leader. Through the delivery of timely, accurate, high-quality research reports on the leading trends, markets around the world and business issues of the day, we aim to assist our clients in making property decisions that meet their objectives and enhance their competitive position.

In addition to producing regular reports such as global rankings and local quarterly updates available on a regular basis, C&W also provides customized studies to meet specific information needs of owners, occupiers and investors.

C&W is the world's largest privately-held commercial real estate services firm. Founded in 1917, it has 230 offices in 60 countries and more than 13,000 employees. The firm represents a diverse customer base ranging from small businesses to Fortune 500 companies. It offers a complete range of services within five primary disciplines: Transaction Services, including tenant and landlord representation in office, industrial and retail real estate; Capital Markets, including property sales, investment management, investment banking, debt and equity financing; Client Solutions, including integrated real estate strategies for large corporations and property owners, Consulting Services, including business and real estate consulting; and Valuation & Advisory, including appraisals, highest and best use analysis, dispute resolution and litigation support, along with specialized expertise in various industry sectors. A recognized leader in global real estate research, the firm publishes a broad array of proprietary reports available on its online Knowledge Center at: www.cushmanwakefield.com

CUSHMAN & WAKEFIELD