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SPOTLIGHT
Savills

European Living Investor Survey 2023

INVESTORS SEEK ACCESS TO THE
LIVING SECTORS AT SCALE

Savills Operational
Capital Markets



Savills Investment
Management



investment
management

Survey highlights

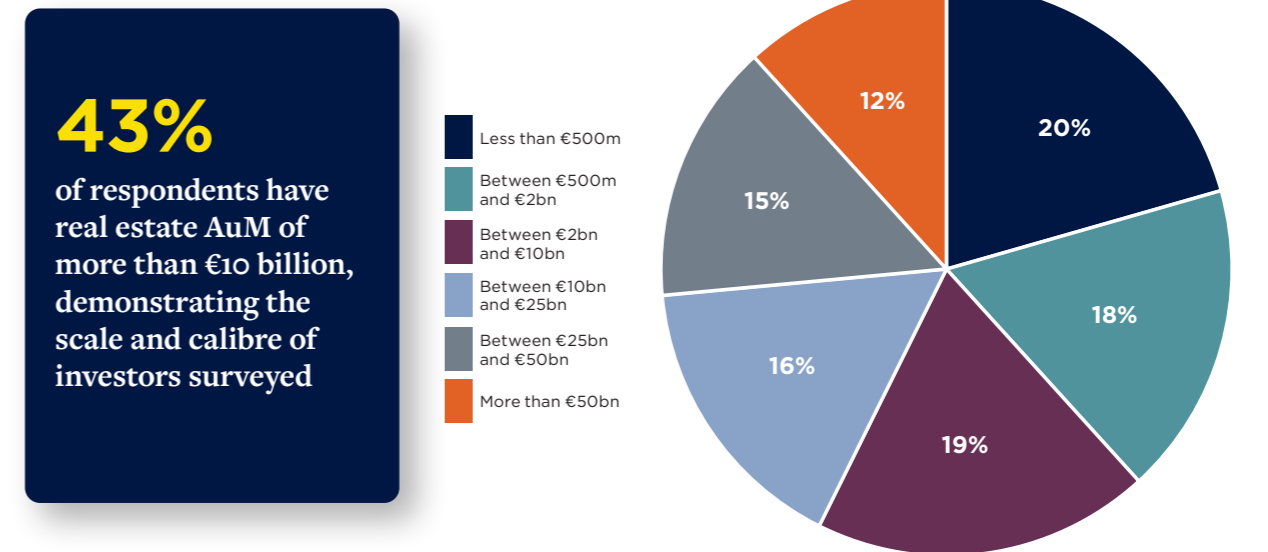
Savills Operational Capital Markets and Savills Investment Management recently conducted a European Living Investor Survey, with 68 respondents who collectively have over €1tn+ of real estate assets under management (AuM), to gauge investor sentiment and expectations for the Living sector.

€1 TRILLION	Total real estate AuM represented by our Survey respondents
HALF	Of Investors surveyed expect to have more than 25% of their AuM allocated to the 'Living' sectors by 2025
€82.4 BILLION	Increase in Living sector AuM targeted by our survey respondents over the next three years
MULTIFAMILY & PBSA	Are the most popular asset classes, with 84% and 65% respectively of respondents currently invested in those sectors
22%	Of investors are aiming to allocate a further €500m+ to European Multifamily, demonstrating the scale of ambition in the sector
UK & IRELAND	Is the highest priority target market for 38% of respondents, followed closely by DACH (Germany, Austria, Switzerland) and the Nordics
SUPPLY & DEMAND	Fundamentals are the most compelling factor driving investors to the Living sectors
ESG	Factors are also crucial, with 77% of respondents identifying Energy & Resource Efficiency as a key consideration

The respondents

Value of investments

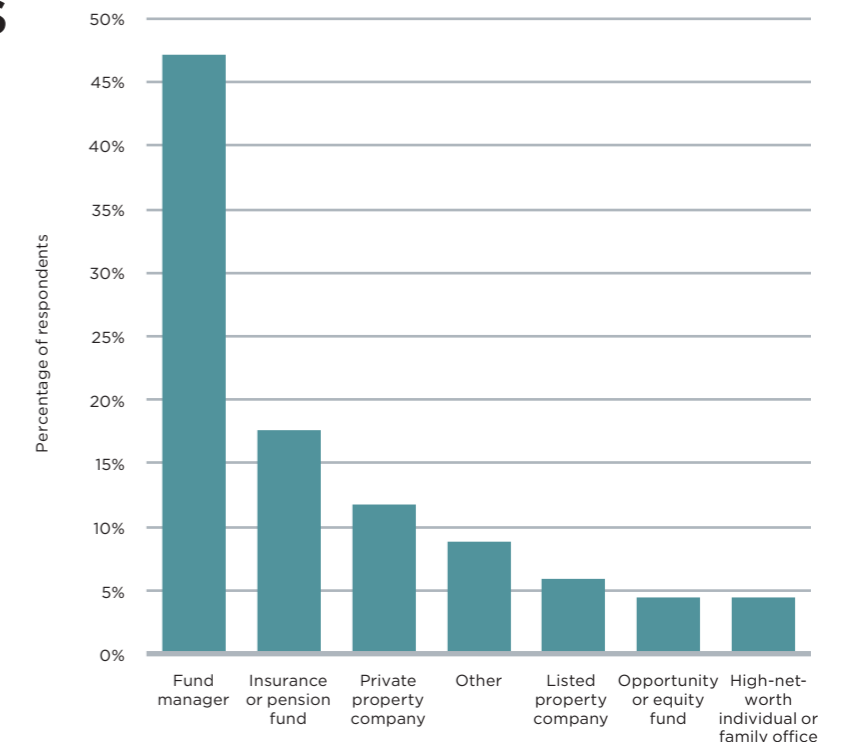
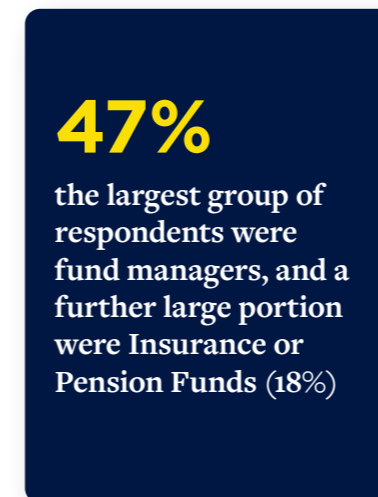
There were 68 respondents to our survey, with a combined AuM in real estate of €1trn+.



Source Savills & Savills Investment Management

Organisations

Fund managers, insurance funds and pension funds made up almost two thirds of respondents.



Source Savills & Savills Investment Management

The future of investing in the Living sector

Growing investor appetite

The past five years have seen investment into the Living sectors rise across Europe, from €44.7bn in 2017 (15% of total investment) to €60.4bn in 2022 (21% of total investment).

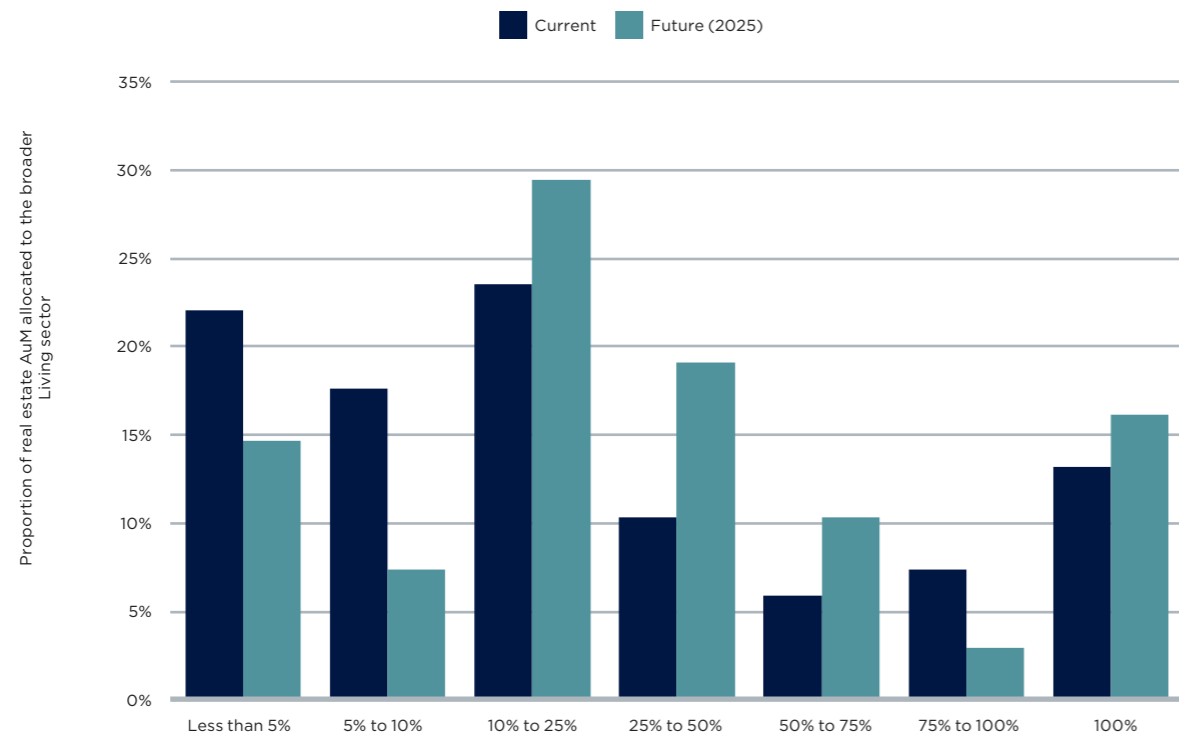
Despite this strong growth, Living remains a relatively small part of many investor's portfolios. The vast majority of investors (63%) currently have less than 25% of AuM allocated

to these sectors, and nearly a quarter (22%) are allocating less than 5% of AuM.

Yet this is set to change significantly over the coming years. By 2025, close to half (49%, compared to 37% currently) of investors expect to have over a quarter of their AuM allocated to Living, with 16% aiming to allocate 100% of AuM.

Living sector allocation

Half of investors expect to have over 25% of their AuM allocated to 'Living' by 2025, up from 37% today.



Source Savills & Savills Investment Management

This growth in investor appetite is supported by the structural tailwinds that underpin the Living sectors, such as the stark housing supply and demand imbalance. In addition, the Living sectors provide strong counter-cyclical features that help investors achieve consistent returns during periods of uncertainty. As an example, student numbers tend to rise during economic downturns, with students investing in further qualifications while the job market is weaker.

This in turn bolsters the Purpose Built Student Accommodation (PBSA) sector.

At present, the most common sectors for Living investors to have exposure to are Multifamily and PBSA, with 84% and 65% respectively of our survey respondents currently active in these sectors. This is reflected in transaction volumes across Europe, with Multifamily and PBSA accounting for 93% of capital invested in the Living sectors over the past five years.

Living sector allocation

Predicted changes, 2023 to 2025

When predicting the proportion of their real estate AuM that will be allocated to the Living sectors in 2025:

42%
of respondents predicted an increase

55%
of respondents predicted their Living allocation would stay the same (in percentage terms)

3%
of respondents predicted a decrease

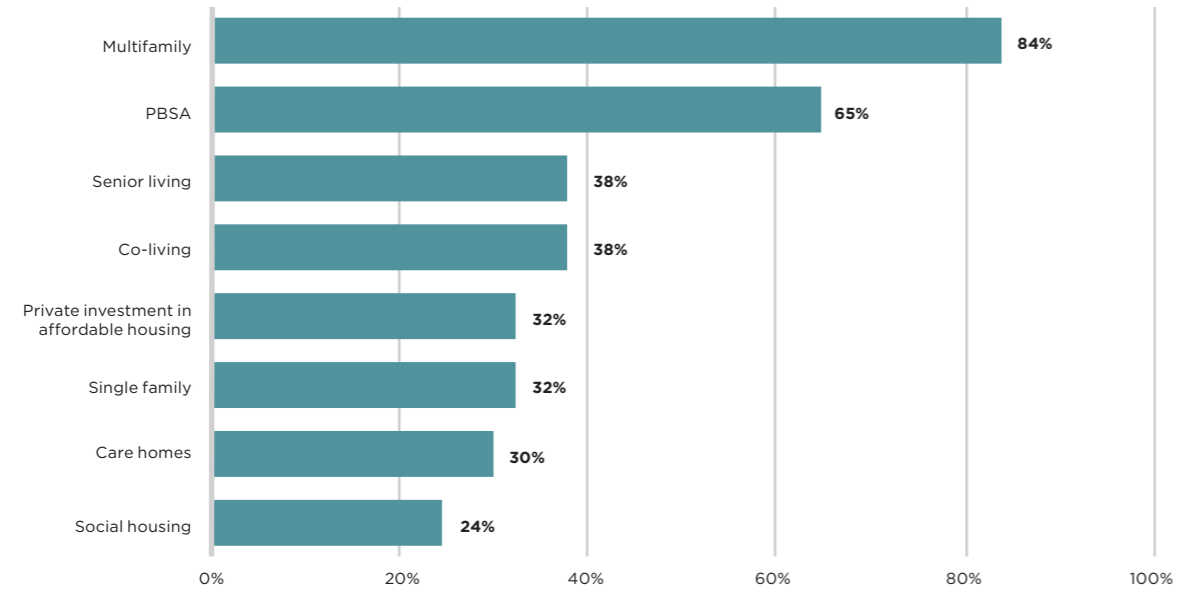
Source Savills & Savills Investment Management



Current Living investments

Multifamily and PBSA are the most common sectors that investors are currently invested in

Which sectors do you currently invest in?



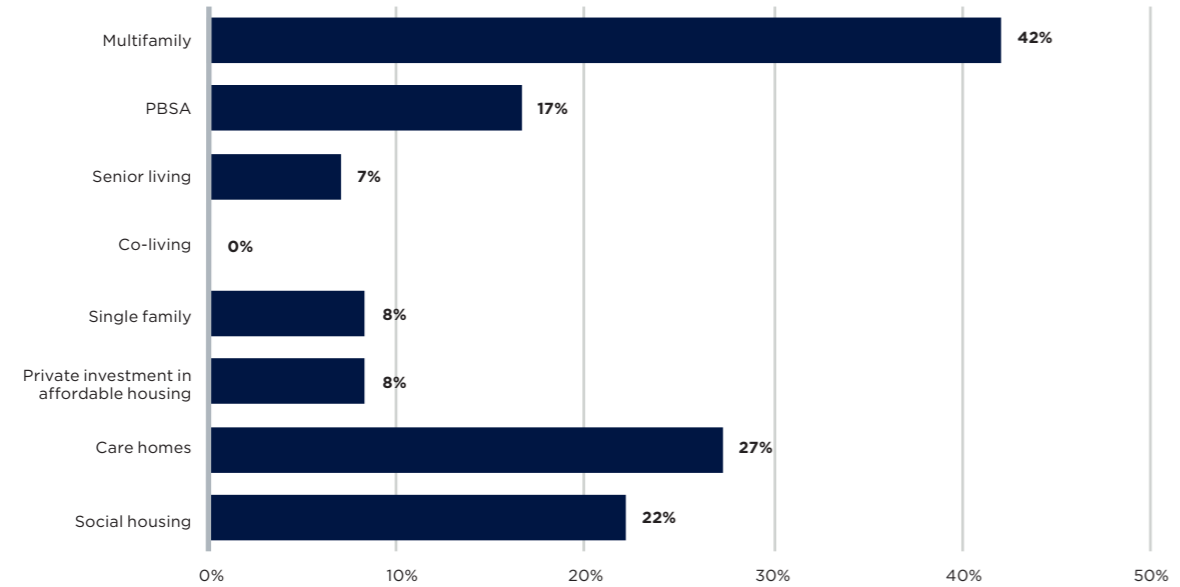
Source Savills & Savills Investment Management

In comparison to Multifamily and PBSA, fewer investors are currently active within care homes (30%) or social housing (24%). In part, this likely reflects the specialist nature of these sectors and the high level of regulation.

However, we do see that those who have invested in these sectors deployed a significant amount of capital. Around a quarter of investors in both sectors invested €500m+. Only Multifamily has a higher proportion of investors (42%) with more than €500m invested.

59% of investors we surveyed have more than €500m exposure to either Multifamily or PBSA

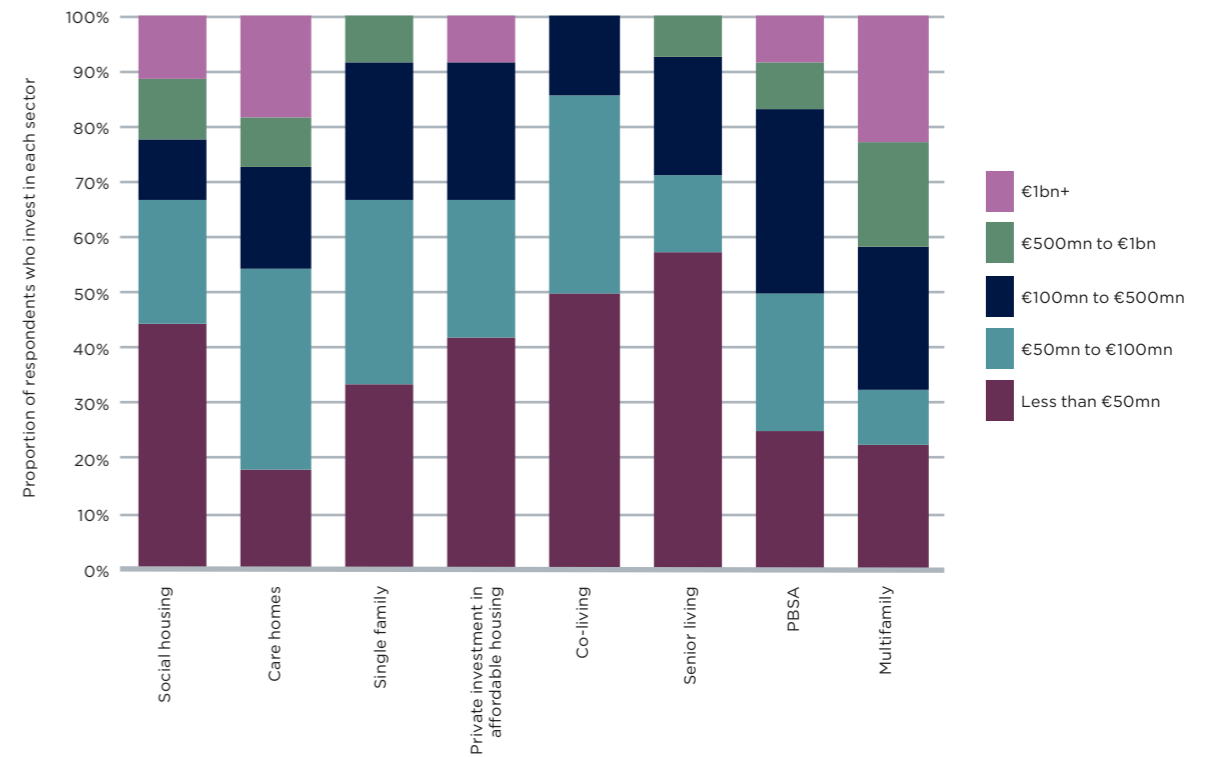
What proportion of active investors have deployed over €500m?



Source Savills & Savills Investment Management

Respondents invested in Care Homes also reported significant exposure, perhaps reflective of the consolidation that has been achieved by a small number of large participants in the sector

How much do you currently have invested in the different 'Living' sectors?



Source Savills & Savills Investment Management



Future strategy

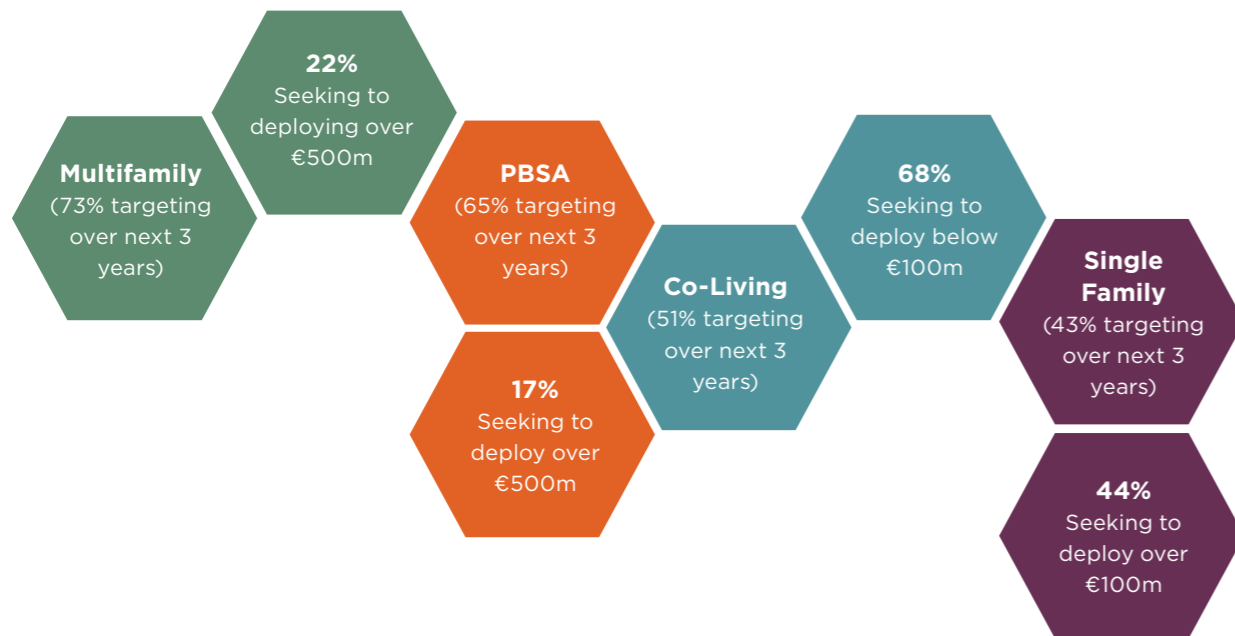
Multifamily and PBSA are set to remain at the heart of most investors' strategies over the next three years. Close to three quarters (73%) and two thirds (65%) of investors expect to target these sectors, respectively. Furthermore, investors are aiming to deploy significant capital into these sectors, with 22% looking to deploy more than €500m.

Co-Living has been flagged by investors as the third most likely sector to target, with around half (51%) looking to invest by 2025.

However, unlike in some of the more mature Living sectors, most investors surveyed said they expect to deploy less than €100m in Co-Living, perhaps indicative of the nascency of the sector and the difficulty in accessing product at scale.

Single Family housing and Senior Living were both highlighted as key target sectors, with 43% of investors expecting to invest in them over the next three years. This highlights the ongoing maturation of these more nascent sectors, and the significant opportunities for growth that they offer.

Over the next three years, respondents expect to continue deploying significant capital into Multifamily, whilst also diversifying into Single-Family



Source Savills & Savills Investment Management

43% of respondents are targeting investment in Senior Living, yet only 31% are expecting to invest more than €100m – whilst the appetite is there, the sector is nascent and access to stock / scale is a key challenge

Where will investors target in the next three years?

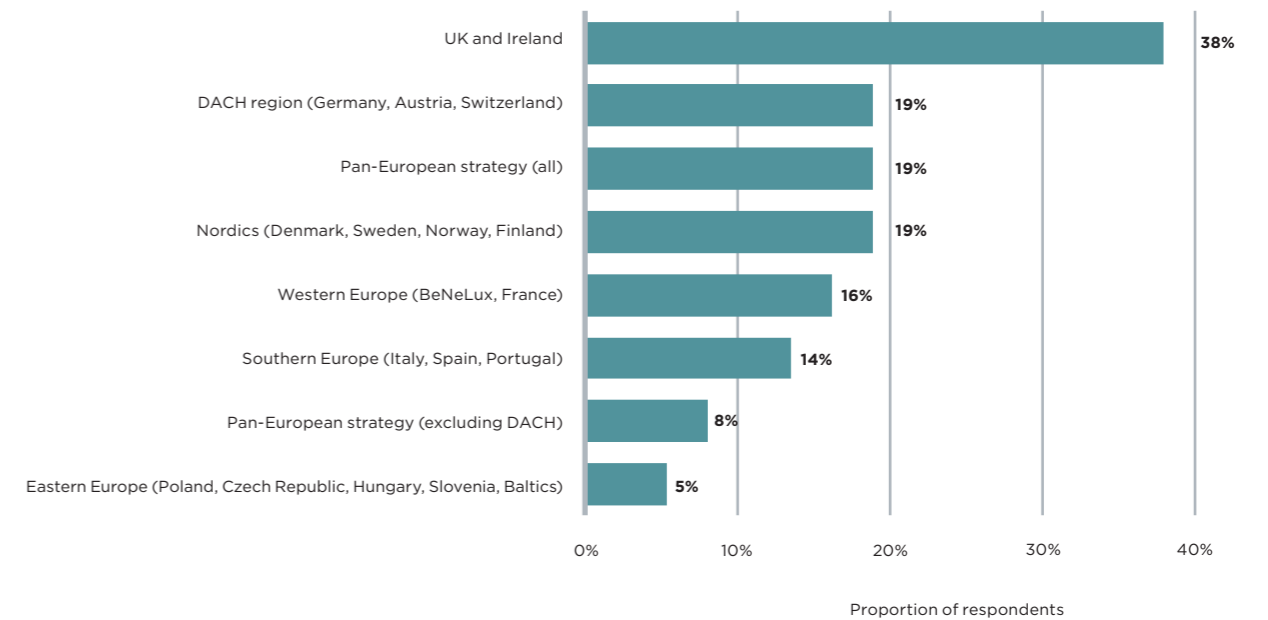
The UK and Ireland were the highest priority markets that investors will target over the next three years, followed by DACH (Germany, Austria, Switzerland) and the Nordics. When broken down by priority segments and markets,

Multifamily ranked first in the UK and Ireland, but PBSA was the top priority segment for a pan-European strategy.

Also of note was a focus on Single-Family housing across the Nordics.

Target Geographies

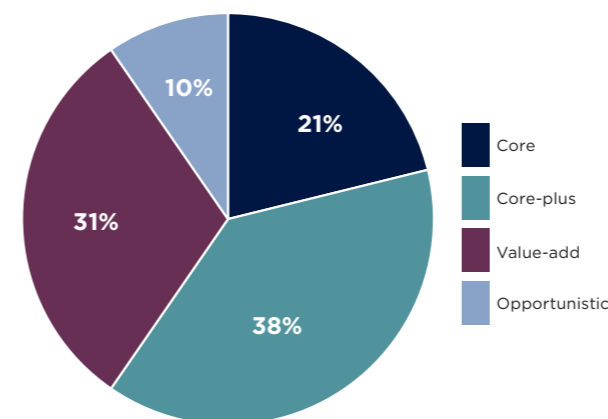
UK & Ireland are the highest priority markets for investors, followed by DACH and the Nordics. Pan-European strategies are the priority target for almost a fifth of investors surveyed



Source Savills & Savills Investment Management

Investment strategy

41% of respondents are currently pursuing Value-Add or Opportunistic strategies



When devising investment strategies in the Living sectors, respondents weighted Core, Core-Plus and Value-Add fairly equally, with 21%, 38% and 31% respectively, and only 10% targeting Opportunistic strategies.

The high weighting towards Core and Core-Plus strategies is reflected in the return expectations for stabilised Multifamily investments. The majority (60%) of investors expect a 4 – 8% p.a. unlevered total return in the Multifamily sector over the next 3 to 5 years for standing, income producing investments.

The majority of the total return is expected to be driven by income, with two thirds expecting a 3 – 5% pa unlevered income return over the same period. The limited expectation of capital growth reflects the challenges of the current macro-economic environment.

Barriers and challenges in the Living sector

51% of investors highlighted pricing and return profile as a major barrier, which likely reflects the uncertain macro-economic backdrop we currently face, rising debt costs and the difficulty investors are experiencing in establishing where current pricing is.

Investors are also facing challenges in accessing stock / scalability, with 40% highlighting this as a major barrier. This reflects the emerging nature of some of the Living

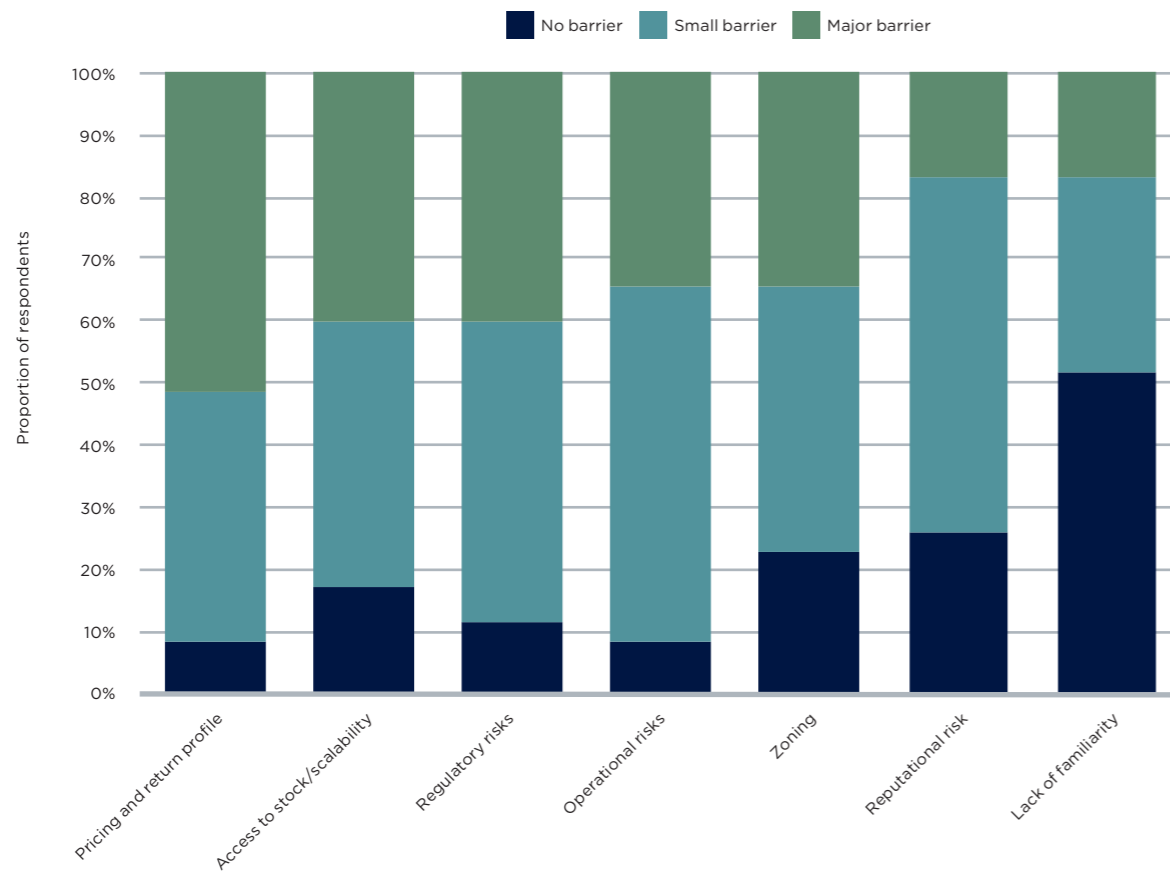
subsectors across Europe, and the need to fund the development of much more institutional grade stock.

Finally, investors highlighted regulatory risk as a barrier for investment, with investors wanting a stable framework within which to operate. Uncertainty created by changes, or even potential changes, makes it more difficult for investors to take long term investment decisions.

Barriers and considerations

Pricing and return profile is perceived to be a major barrier for more than half (51%) of investors surveyed, while 40% consider access to stock/ability to scale to be a key challenge

How do the following considerations impact your investment in Living segments?



Source Savills & Savills IM Research

Drivers of Living sector investment

Supply and demand dynamics and strong ESG credentials are the two most appealing characteristics driving investment in Living

- 1 Supply and demand dynamics
- 2 ESG
- 3 Demographic changes
- 4 Capital appreciation
- 5 Long-term stable income

Source Savills & Savills Investment Management

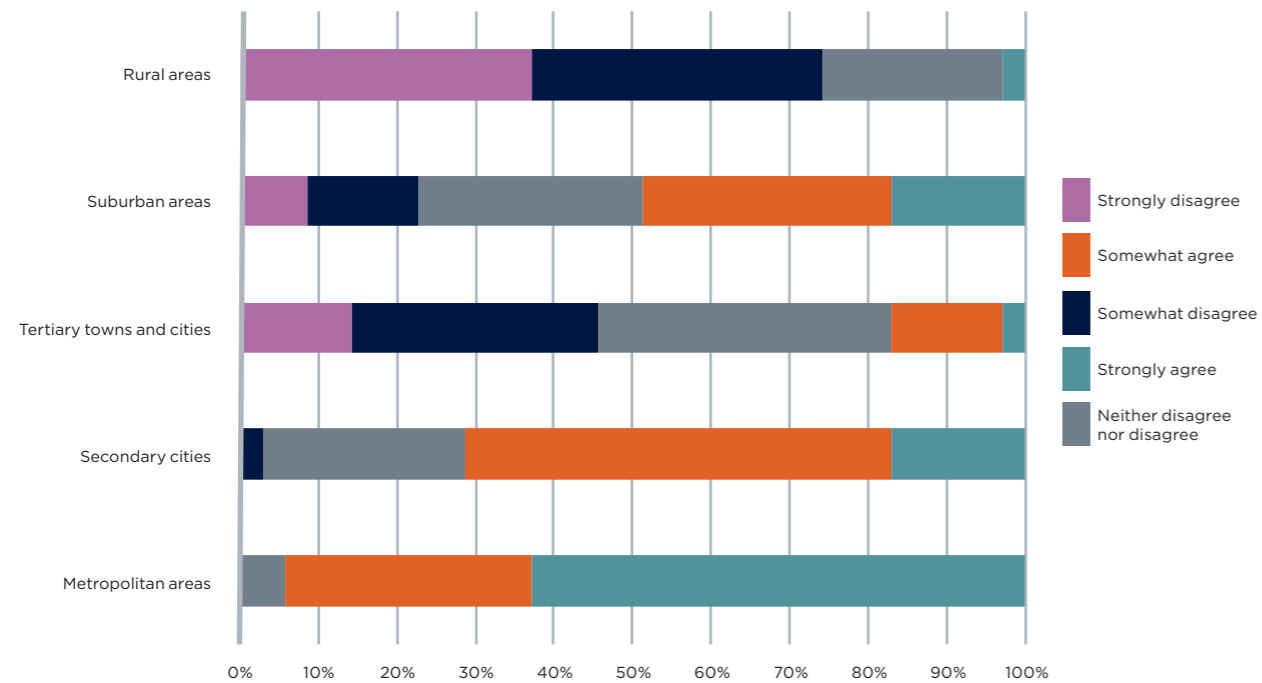
Our survey respondents said they look for favourable supply and demand dynamics, as well as focussing on the ESG credentials of schemes. Investors expect the supply and demand fundamentals to remain favourable in major metropolitan areas, continuing the recent trend of investors targeting key European gateway cities.

However, almost half of respondents considered that suburban markets would offer investors favourable supply and demand dynamics over the coming years as well, reflecting investors' growing appetite for Single Family housing.

Factors investors consider when investing in the Living sectors

Supply and Demand

63% of respondents strongly agreed that Metropolitan areas (i.e. capital cities) would be the most favourable for investors in the coming years.



Source Savills & Savills IM Research

Secondary cities were also considered favourable (71% of respondents either strongly agreed or somewhat agreed)

As well as suburban areas (49% strongly agree or somewhat agree)

Tertiary towns and rural areas were seen to have the least favourable future supply and demand fundamentals

“ ESG continues to drive investor decisions, with a range of ESG factors marked as “very relevant” by a the respondents to our survey

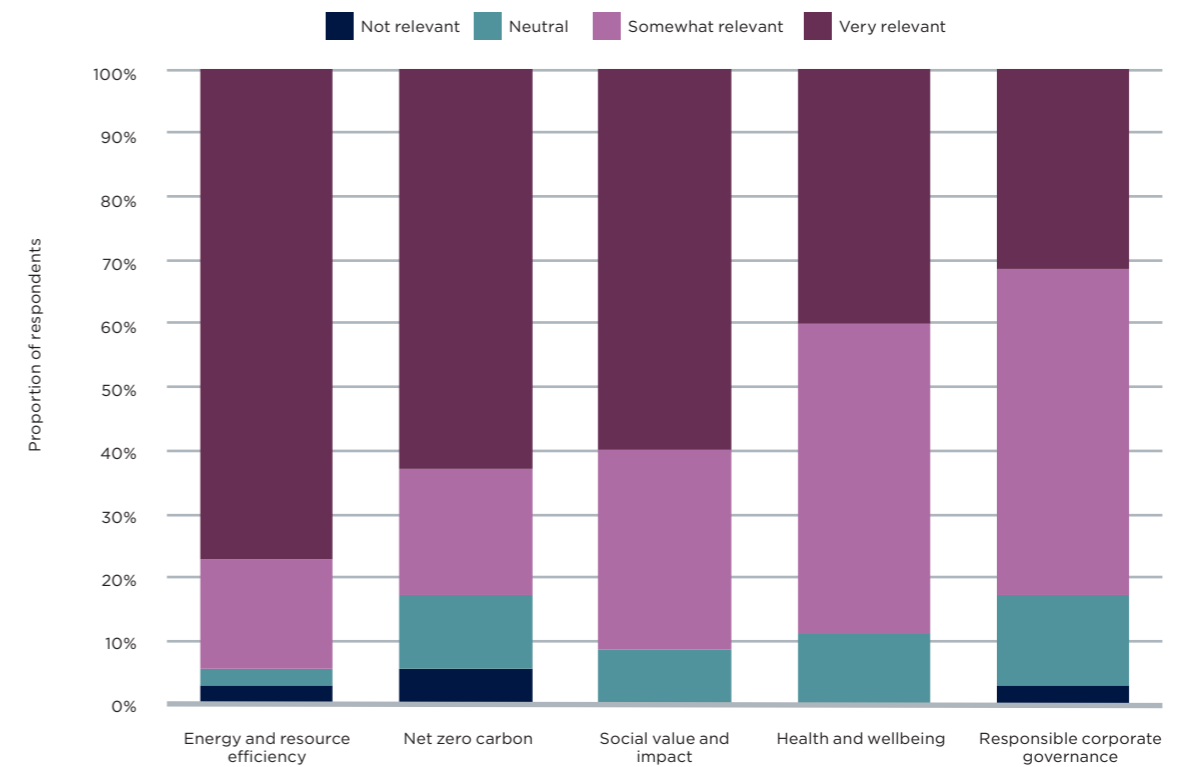
How relevant are the following ESG and Impact considerations for you in the Living sectors?

Given the importance of ESG for investors, the ESG credentials of assets and investment vehicles in the Living sectors will continue to see these draw an increasing proportion of global investment.

A large amount of new Living stock is purpose-built and designed to very high Environmental standards, while the nature of the schemes (being places where people live, and socialise) with their public realms and amenity spaces, means they deliver significant Social Value.

It's the E, the S then the G - in that order

How relevant are the following ESG and Impact considerations for you in the Living sectors?



Source Savills & Savills Investment Management



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Savills Research

We are a dedicated team with an unrivalled reputation for producing insightful analysis, research and commentary across all property sectors throughout the UK, Europe, Americas, Asia Pacific, Africa, India and the Middle East.

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We provide our clients with valuation, consultancy, transactional and financing advice in the Multifamily, Single Family, Student Accommodation, Co-living, Senior Living and Healthcare sectors - across the UK and Europe. Our track record is unrivalled, having advised on over £20bn of transactions in the last two years.

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Savills Investment Management

We are a leading real estate investment manager with global debt and equity expertise. With 380 employees in 17 global office locations, we have €26 billion of assets under management and transacted €4 billion in 2022.

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