CUSHMAN & WAKEFIELD

# EUROPEAN LIVING SURVEY

2025

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# 01 INTRODUCTION

# INTRODUCTION

2024 REPRESENTED A DEMANDING YEAR FOR THE EUROPEAN LIVING SECTOR AGAINST THE BACKDROP OF A VARIETY OF CHALLENGES INCLUDING THE ONGOING GRADUAL REPRICING OF THE MARKET AND MUTED INVESTMENT ACTIVITY AS WELL AS ELEVATED INTEREST RATES AND CONSTRUCTION COSTS.

WE SENSE HOWEVER THAT THE CONDITIONS ARE NOW FALLING INTO PLACE FOR THE SECTOR TO START TO RECOVER THIS YEAR, A VIEW WE OUTLINED IN OUR RECENT EUROPEAN LIVING OUTLOOK* FOR 2025.

The Cushman & Wakefield European Living Investor Survey for 2025 therefore takes on added significance this year insofar as it seeks to assess whether investor confidence is another one of these factors pointing to market recovery this year. Our survey asked some of the largest Pan European Living investors for their views on the outlook for the sector, the opportunities and challenges across the living market and the economic factors that are likely to shape this year. Based on our findings, investors are indicating that the living market in Europe is at an important inflection point on the road to recovery.

* https://www.cushmanwakefield.com/en/insights/european-outlook

INTRODUCTION

# INVESTMENTS IN LIVING SET TO RISE IN THE NEXT FIVE YEARS

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THE LIVING SECTOR HAS STEADILY GAINED IN POPULARITY OVER THE PAST DECADE AS THE MARKET HAS EVOLVED AND AS INVESTORS HAVE RECOGNISED THE STABILITY AND DIVERSIFICATION OFFERED BY THE SECTOR.

The social value generated by living investments has become an added advantage in recent times, enabling investors to align with and achieve ESG-related objectives.

This can be seen clearly in the rise in the prominence of the living sector across industry benchmarks like MSCI where the weight to living has increased notably over the past ten years to around 23% and 9% respectively for the Pan European and UK indices.

Despite a difficult year for European investment volumes last year, the living sector still featured prominently, accounting for approximately 23% of the total – testament to its now central role in European commercial real estate circles.

The majority of the approximately €45 billion invested last year was in the Private Rental Sector (PRS) at €33 billion with a further €6 billion being invested in the Purpose-Built Student Accommodation (PBSA) segment (chart 1).

Our 2025 survey responses reaffirm the sector's significance, with approximately 60% of investors indicating allocations of 20% or more to the living sector. Looking ahead, around 80% of respondents expect their investments in the sector to increase over the next five years (see chart 2), echoing last year's findings.

CHART 1: EUROPEAN LIVING INVESTMENT VOLUMES (€ BILLION)

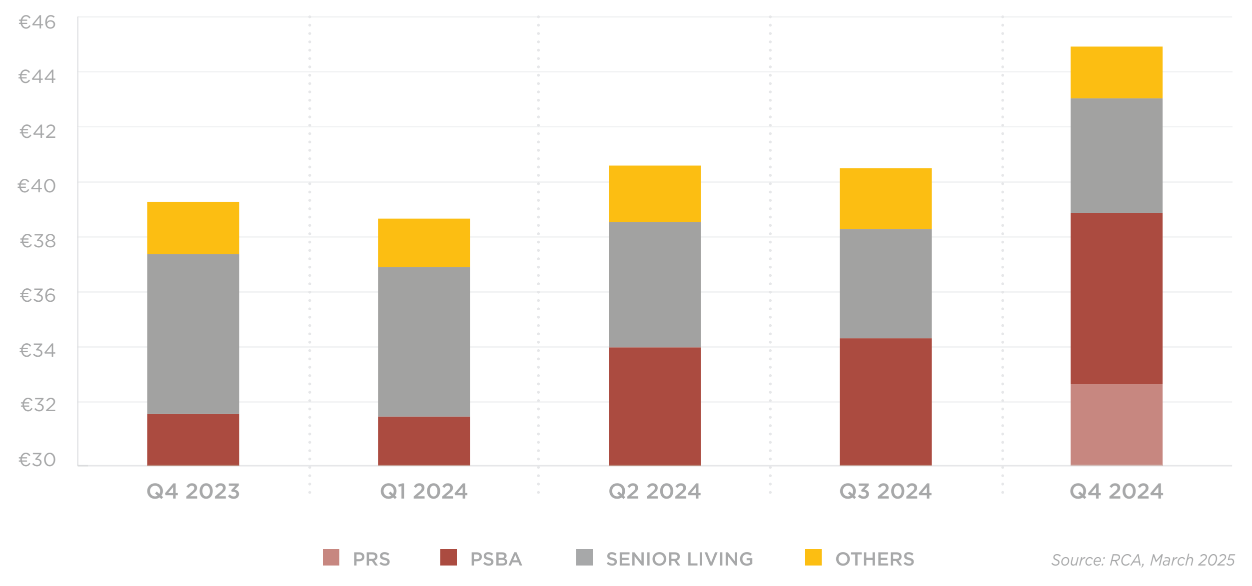
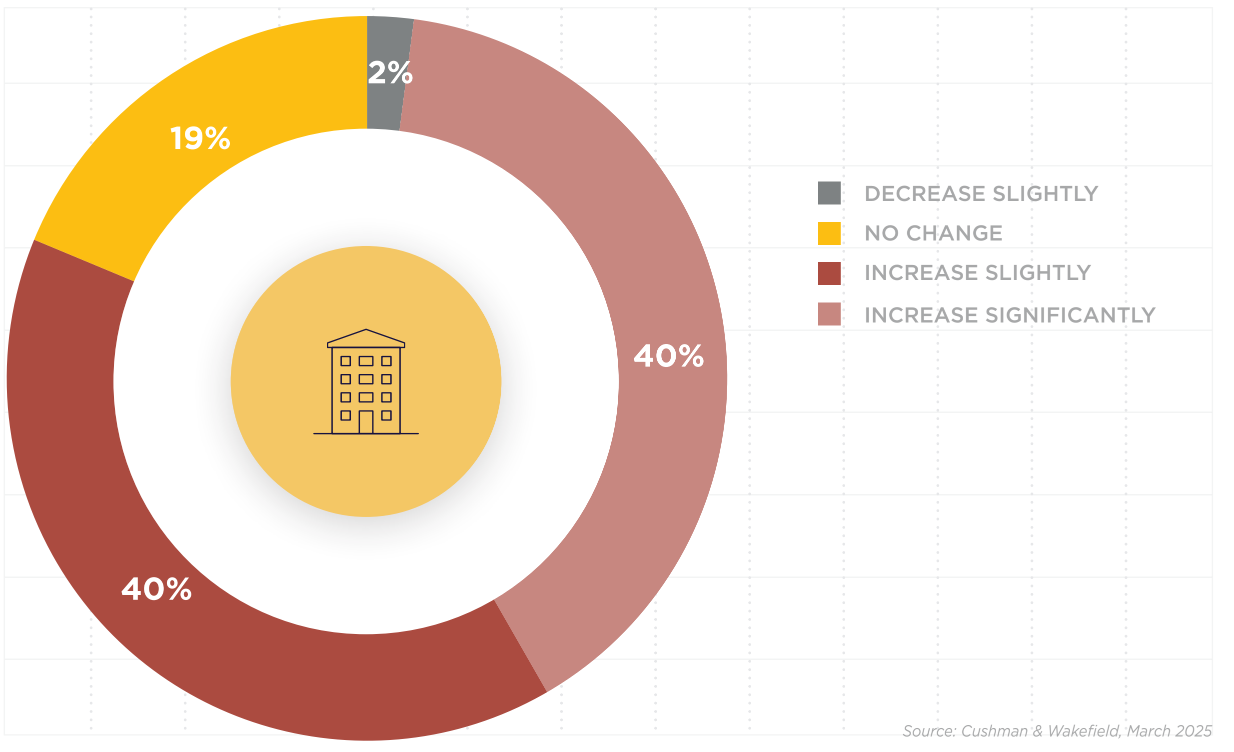



CHART 2: HOW DO YOU EXPECT THE TOTAL AMOUNT YOU INVEST IN LIVING SECTORS TO CHANGE OVER THE NEXT FIVE YEARS?



# INVESTOR INTEREST STILL DOMINATED BY PRS BUT INTEREST IN PBSA CONTINUES TO RISE

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ONE OF THE CLEAREST THEMES WE SEE IN THIS YEAR'S RESULTS IS THAT PURPOSE BUILT STUDENT ACCOMMODATION (PBSA) HAS BECOME A KEY TARGET FOR INVESTORS, WITH 75% OF RESPONDENTS PLANNING TO INCREASE THEIR EXPOSURE OVER THE NEXT THREE YEARS (CHART 3).

The investment case for PBSA remains strong, underpinned by solid fundamentals and rental growth outpacing inflation. In our view the segment may also be benefiting from less focus on rent regulation compared to the traditional PRS market where rent controls have been on the rise in parts of Europe in the past number of years.

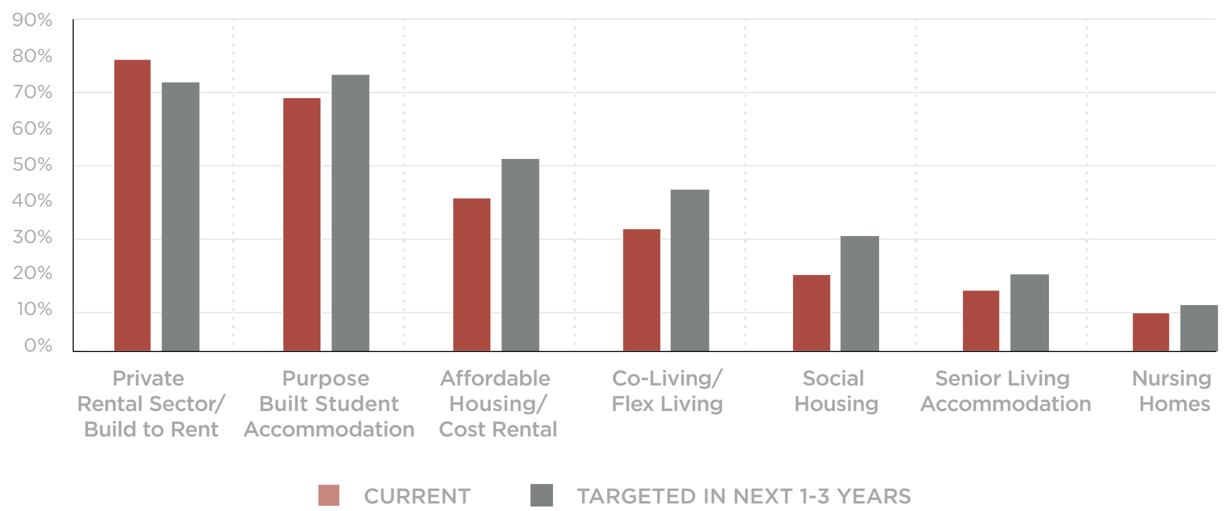
Co-living has emerged as the fastest-growing segment, with 44% of respondents expecting to invest in the sector by 2028, up from 33% today. While the model is well established in Germany and increasingly meets student accommodation and broader residential needs, its expansion in the UK is accelerating. Investor and lender confidence continues to grow, supported by successful schemes such as Folk's Sunday Mills in Earlsfield and Dandi's Wembley Park development, both of which have achieved strong lease-up rates and rental growth.

The higher density of co-living developments helps navigate planning and viability constraints in urban locations, making it an increasingly attractive proposition in the current economic environment.

A comparison with last year's survey reveals continued investor commitment to affordable housing, with targeted allocations remaining steady. However, one of the most notable shifts has been in PRS/Build to Rent (BTR). In 2024, nearly 90% of investors were looking to deploy capital into the sector over the next few years, but this has fallen to 73% in 2025. Regulatory pressures and planning challenges continue to weigh on BTR development schemes in the UK, though the expected increase in operational and stabilised assets this year may provide new opportunities.

Investor appetite for Senior Living has also declined, reflecting the sector's relative infancy and the specialised expertise required compared to other living segments. While long-term demographic drivers remain compelling, investors appear to be prioritising more established living asset classes in the near term.

**CHART 3: INVESTORS INCREASINGLY TARGETING PBSA, AFFORDABLE AND CO-LIVING SEGMENTS OF THE LIVING MARKET OVER THE MEDIUM TERM***




*Source: Cushman and Wakefield, March 2025*Percentage of respondents citing the following segments in response to the question 'which segments of the living sector are you currently invested in and which segments are you targeting in next 1-3 years?'*

# UK, SPAIN AND GERMANY THE KEY GEOGRAPHIC TARGETS FOR 2025

WHEN IT COMES TO INVESTORS' GEOGRAPHIC PREFERENCES, CORE EUROPEAN MARKETS REMAIN THE PRIMARY FOCUS AT THIS STAGE OF THE CYCLE.

The UK, Spain and Germany remain the top three geographic markets of interest to investors in 2025 with Spain replacing Germany as second most favoured market in this year's survey.

Beyond the top three, investors expressed a greater preference towards France, Italy and Portugal this year compared to our results last year, while the Nordic countries and Ireland moved slightly down in our rankings.

## PREFERRED GEOGRAPHIC MARKETS

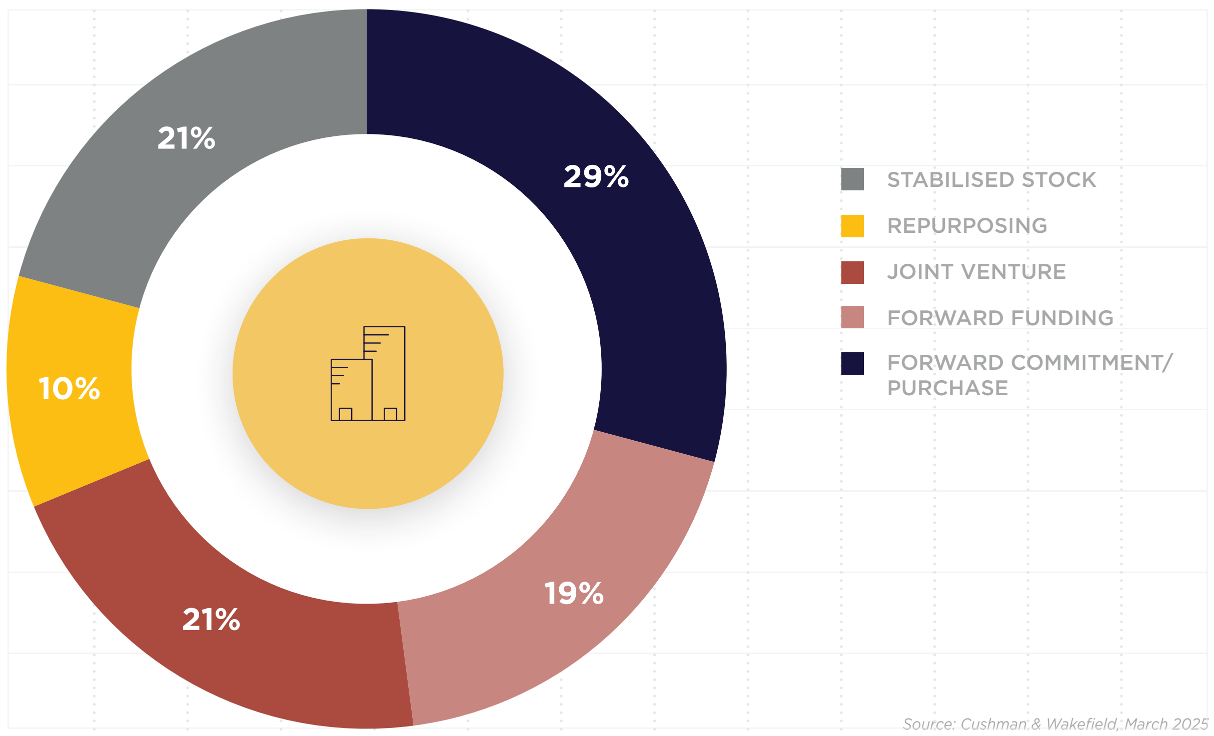
| | CHANGE COMPARED TO 2024 |
|---|---|
| 1. UK | ↔ |
| 2. SPAIN | ▲ |
| 3. GERMANY | ▼ |
| 4. FRANCE | ▲ |
| 5. IRELAND | ▼ |
| 6. ITALY | ▲ |

# FORWARD COMMITMENTS, STABILISED STOCK AND JOINT VENTURES ARE THE MOST ATTRACTIVE DEAL STRUCTURES

COMPARED TO 2024, THERE IS STILL A BROAD MIX OF PREFERRED DEAL STRUCTURES FOR THE LIVING MARKET WITH FORWARD COMMITMENTS, STABILISED STOCK AND JOINT VENTURES ALL FEATURING PROMINENTLY (SEE CHART 4).

The percentage of investors voting for forward commitment as their preferred deal structure rose most visibly compared to last year (29% in 2025 versus 18% in 2024) which could perhaps be a tacit acknowledgment of a more stable period ahead for pricing and financing conditions. Investors also seemed more likely to focus on repurposing as an option compared to last year which could reflect a greater flow of such opportunities now coming to market. Although repurposing across European markets has been something of a 'slow burn' in recent years, we believe it is still likely to become a more prominent part of the living landscape as greater clarity emerges on issues like future office demand and viability.`

**CHART 4: WHAT IS THE MOST LIKELY DEAL STRUCTURE YOU ENVISAGE USING OVER THE NEXT 1-3 YEARS?**




*Source: Cushman & Wakefield, March 2025*

# ECONOMIC OUTLOOK EXPECTED TO SUPPORT LOWER INTEREST RATES AND PRIME YIELDS

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OVERALL, INVESTORS EXPECT THE PATH FOR THE EUROPEAN ECONOMY TO REMAIN UNCERTAIN IN 2025. ALMOST HALF OF RESPONDENTS EXPECT THE EUROPEAN ECONOMY TO WEAKEN THIS YEAR ALTHOUGH THIS WAS LESS DOWNBEAT COMPARED TO OUR 2024 FINDINGS.

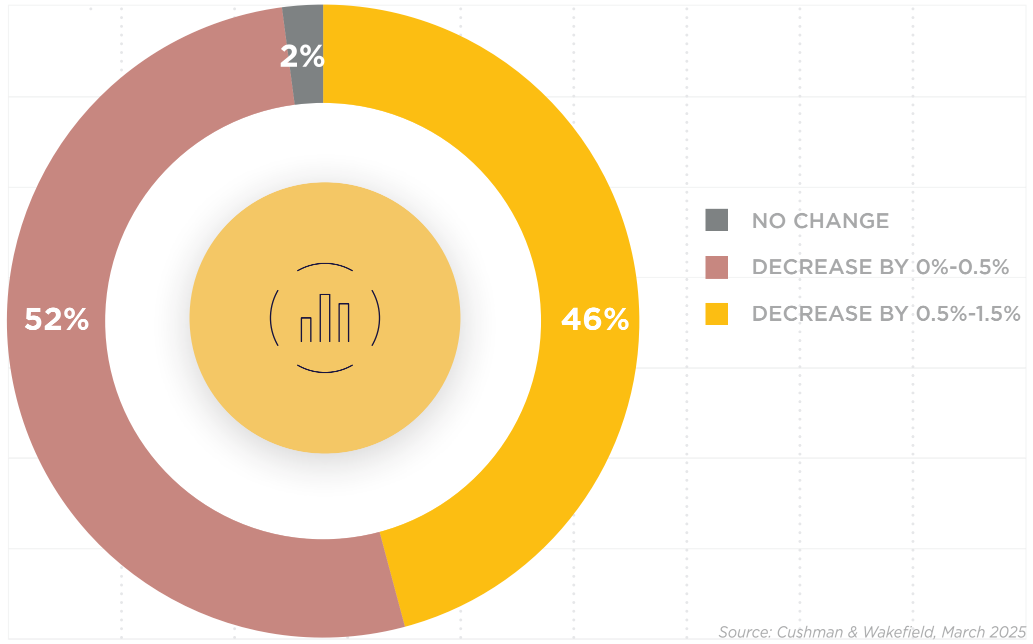
Furthermore, there were larger pockets of positivity this year with 31% of investors seeing the European economy strengthening, up from only 12% in 2024.

The interest rate cuts across the Eurozone and the UK economies last year appear to have been a major factor feeding into the more positive responses this year, even if they still reflect challenges of low growth and a fluid trade environment.

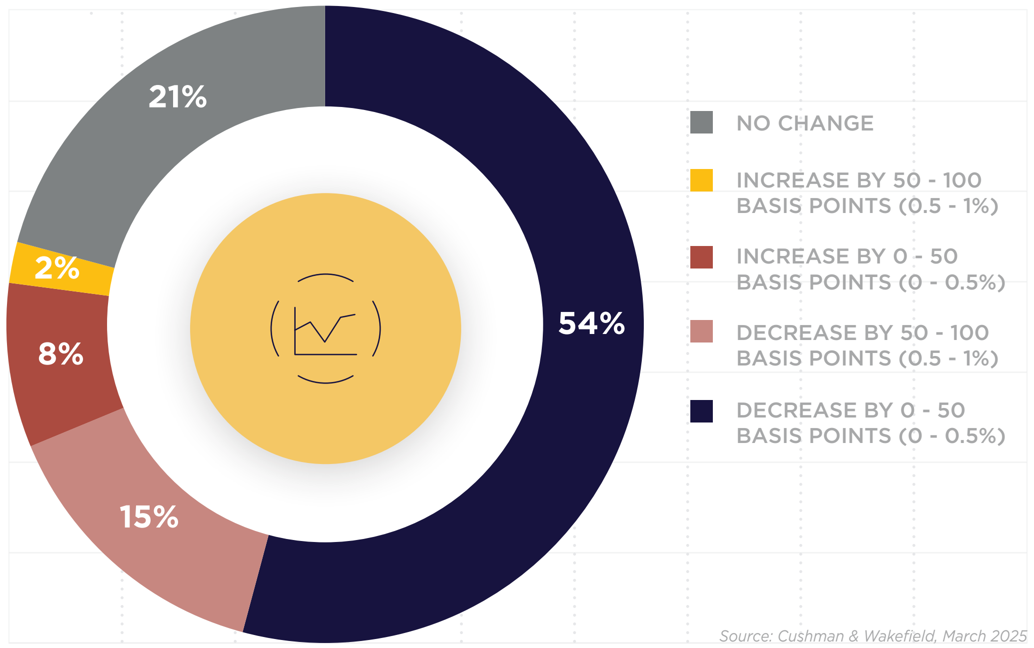
Regarding interest rates, most investors expect rates to fall throughout the remainder of 2025 (chart 5), though there is some uncertainty over the extent of the cuts. A slim majority (52%) expect interest rates to fall by up to 0.5%, however a further 46% expect rates to be cut by up to 1.5%.

The anticipated interest rate cuts are also expected to benefit prime living yields. Just over half of investors responding to our survey felt that prime living yields would fall by up to 0.5% this year on foot of the lower interest rate environment while around 20% felt there would be no change in yields in 2025 (chart 6).

### CHART 5: HOW DO YOU THINK INTEREST RATES ARE MOST LIKELY TO CHANGE IN THE NEXT TWELVE MONTHS?




### CHART 6: HOW DO YOU THINK PRIME LIVING YIELDS WILL CHANGE OVER THE NEXT TWELVE MONTHS?



# PBSA EXPECTED TO PERFORM BEST IN 2025, BUYER/SELLER PRICING MISMATCHES THE MAIN CHALLENGE FOR 2025

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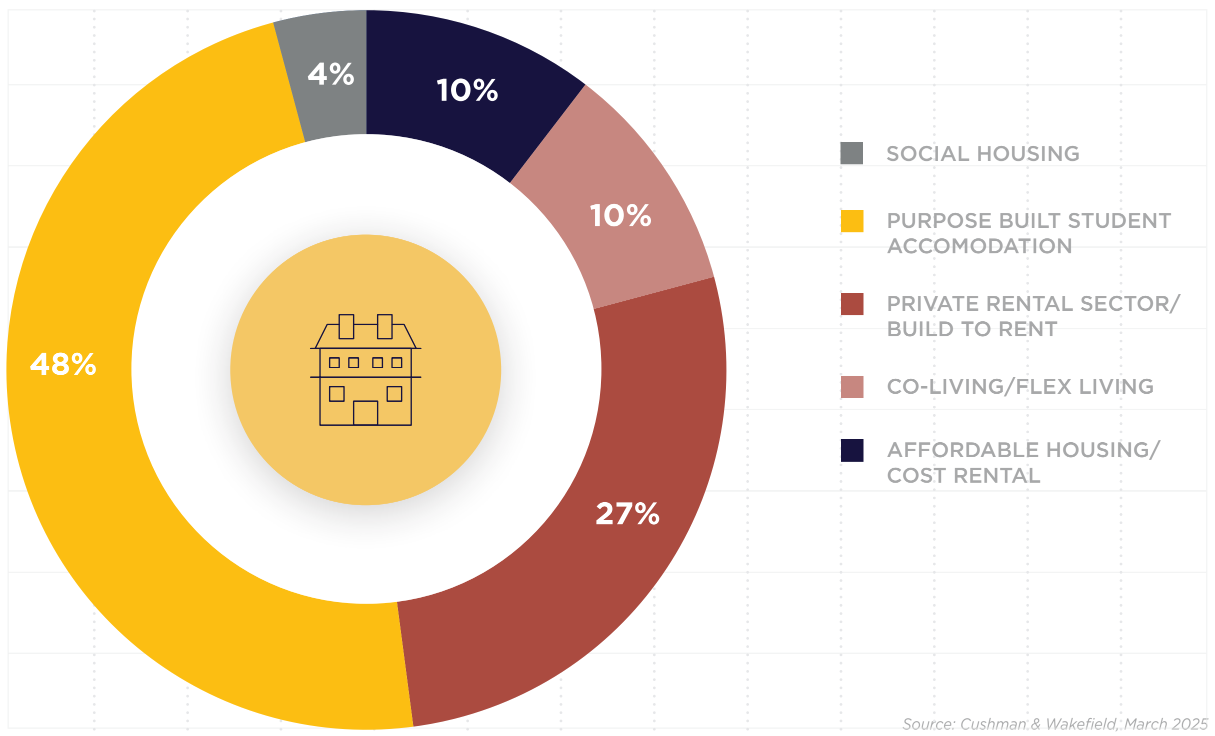
IMPROVING DEAL VOLUME IN THE STUDENT ACCOMMODATION SEGMENT SUPPORTED A STRONGER INVESTMENT PERFORMANCE LAST YEAR.

With fewer regulatory constraints and shorter lease terms than PRS, PBSA has proven to be an effective inflation hedge, consistently outperforming the wider residential sector.

Nearly half of respondents expect PBSA to remain the top-performing living sector in 2025 (chart 7). Its appeal has been further reinforced by the UK government's Renters' Rights Bill, which exempts PBSA from the abolition of fixed-term tenancies. PRS ranked second in terms of performance expectations, with 27% of respondents predicting it will be the best-performing subsector.

**CHART 7: WHICH SEGMENT OF THE LIVING SECTOR DO YOU EXPECT TO PERFORM BEST IN 2025?**




*Source: Cushman & Wakefield, March 2025*

While investor appetite for living sectors remains strong, several barriers could challenge growth ambitions. The most pressing concern among respondents is the mismatch between buyer and seller expectations, with some investors wary of pricing inflated by overly optimistic growth assumptions.

Political and regulatory uncertainty is another major risk, cited by nearly one-fifth of respondents. With new regulations under discussion and already imposed in several European markets, the potential for sector disruption remains high. Scotland and Ireland serve as stark examples, where the introduction of rent controls continued to a significant drop off in build to rent activity, leading to muted investment activity.

Development viability is another major challenge, cited by 17% of respondents. Higher construction costs, stricter building regulations, and increased affordable housing requirements have placed pressure on project feasibility and delivery in the UK and Europe.

By contrast, concerns over debt costs have eased, with only 4% of respondents now viewing it as a major barrier to investment. This shift reflects the improved outlook for interest rates across Europe, which should inspire greater investor confidence around capital deployment.

CHART 8: WHAT DO YOU BELIEVE ARE THE BIGGEST CHALLENGES TO INVESTING IN THE LIVING SECTOR IN 2025?



Source: Cushman & Wakefield, March 2025

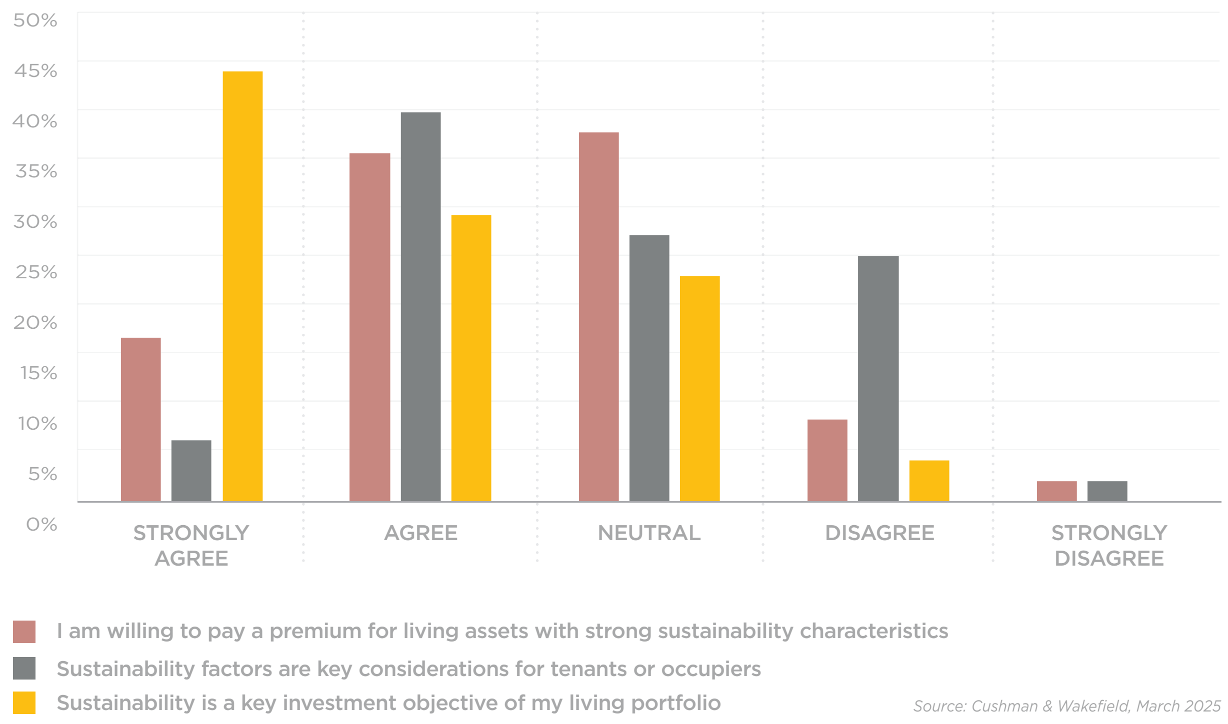
# SUSTAINABILITY STILL A VITAL CONSIDERATION FOR LIVING INVESTORS

POLICYMAKER INITIATIVES IN AREAS SUCH AS ENERGY CONSUMPTION AND SUSTAINABLE FINANCE HAVE QUICKLY MADE SUSTAINABILITY A KEY TOPIC FOR REAL ESTATE INVESTORS, PARTICULARLY IN THE LIVING SECTOR GIVEN THE IMPORTANCE OF ENERGY EFFICIENCY IN HOUSING AND ITS SOCIETAL IMPORTANCE.

This is evident once again in our survey results for 2025. Over 70% of investors polled saw sustainability as a key objective of their investment portfolios (chart 9) while more than half also said they would be willing to pay a premium for living assets with strong sustainability characteristics.

Interestingly however, the feedback from investors indicated that sustainability was less of a consideration for occupiers with only 46% of investors highlighting that it was a key tenant factor.

**CHART 9: SUSTAINABILITY STILL AN IMPORTANT CONSIDERATION FOR LIVING INVESTORS**




*Source: Cushman & Wakefield, March 2025*

# 09

# CONCLUSION

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# THE INVESTOR OUTLOOK IS BRIGHTENING

EUROPE'S LIVING SECTOR CONTINUES TO OFFER A COMPELLING LONG-TERM OPPORTUNITY TO COMMERCIAL REAL ESTATE INVESTORS THANKS TO ITS STRONG GROWTH POTENTIAL, INEXTRICABLY LINKED TO ONGOING DEMOGRAPHIC AND SOCIETAL CHANGE AS WELL AS SIGNIFICANT SUPPLY-DEMAND IMBALANCES.

These powerful structural trends remain very much in place, a key reason why the sector has grown to account for around 20% of European investment volumes. In contrast, the cyclical outlook has been more uncertain in recent years, but we now believe that the conditions for a recovery are falling into place.

Confidence is a critical ingredient of any real estate recovery and although investors cite pricing mismatches, viability and political/regulatory change as ongoing challenges, it is encouraging to see our 2025 European Living Investor Survey reflect growing optimism in several areas.

Investors expect to increase their allocations to the living sector over the medium term, expanding across a broader range of segments—a positive sign for its continued growth and evolution. Student accommodation, in particular, is set to be a major beneficiary of this trend. Meanwhile, anticipated interest rate declines in 2025 are likely to drive a rebound in capital values after two challenging years. Overall, investor sentiment is turning increasingly positive.

# EUROPEAN LIVING SURVEY

2025

## CONTACTS


**TOM MCCABE**
Head of Living Research, EMEA
tom.mccabe@cushwake.com

**VIVIENNE BOLLA**
Head of Living Research, UK
vivienne.bolla@cushwake.com

**JOEP VAN DE VORSTENBOSCH**
Head Of Living, EMEA
joep.vandevorstenbosch@cushwake.com

**PATRICK HOGAN**
Head of Living Capital Markets, EMEA
patrick.hogan@cushwake.com

**MARK CLEGG**
Head of Residential Investment, UK
mark.a.clegg@cushwake.com

**EMILY MARKS**
Partner, EMEA Living
emily.marks@cushwake.com

**MAUD VISSCHEDIJK**
Co-Head - Equity, Debt & Structured Finance
maud.visschedijk@cushwake.com


## COUNTRY CONTACTS


**JAMES DUNNE**
Head of UK Living
james.dunne@cushwake.com

**JAN BASTIAN KNOD**
Head of Living Capital Markets Germany
jan-bastian.knod@cushwake.com

**ALEXANDRA PAULIN**
Head of Residential and Healthcare, French Capital Markets
alexandra.paulin@cushwake.com

**GEOFF MCCABE**
Living Capital Markets, Spain
geoff.mccabe@cushwake.com

**DAVID VOS**
Head of Living Capital Markets, Netherlands
david.vos@cushwake.com


### ABOUT CUSHMAN & WAKEFIELD

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For additional information, visit **www.cushmanwakefield.com.**

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