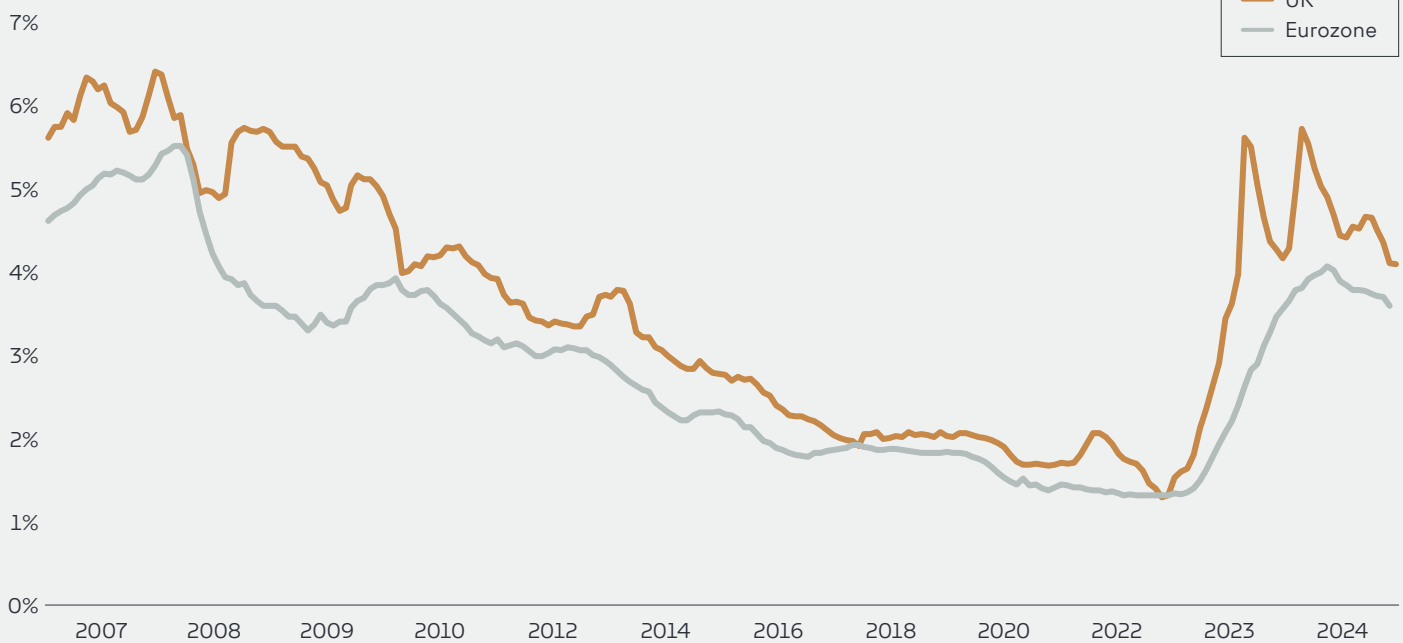


HOUSING

Europe is grappling with a shortage of housing, due to a lack of funding, lengthy planning procedures, and rising demand. **Strong growth in household formation over the last decade has led to an increased need for housing.** Demographic trends including an aging population and a rise in the number of single-person households are also reshaping housing demand. The number of single-person households increased by 21% from 2013 to 2023.¹

LOCAL BANK HOME MORTGAGE RATES



Source: Bank of England, European Central Bank. November 2024. Note: UK rate is 5 year (75% LTV) fixed rate mortgage

MULTIFAMILY

The level of maturity in Europe's multifamily market differs between countries. However, the overall trend is that significantly more rental housing is needed, and continued densification in and around major cities sets the stage for long-term growth. The increase in mortgage rates has made renting relatively more affordable than home ownership. Average Eurozone mortgage interest rates rose to over 5.00% in 2023, a level not seen since 2009. Rates have fallen slightly since then, but remain elevated.

Rents have also increased but to a lesser extent than mortgage repayments. This is having a notable impact on the housing market and affecting the relative attractiveness of owning versus renting a home. We expect demand for the private rented sector to increase as more households struggle to afford a mortgage in the current lending environment.

We see a growing opportunity to develop institutional-quality multifamily residences in select European markets based on compelling demographics and supply/demand factors, in particular in the UK. Our recent paper on the **UK BUILD-TO-RENT SECTOR**  highlights the opportunity to develop high-quality, professionally managed rental accommodation in a market where rental growth and occupancy remain strong. The UK has consistently failed to meet house-building targets, resulting in a housing supply gap the size of London (4.3 million homes), which is staggering considering the size of the UK population at 67 million.² This has led to strong house price inflation, which combined with elevated mortgage interest rates has pushed home ownership out of reach, pushing many towards renting for longer. We feel that the Build-to-Rent sector has an opportunity to not just meet this critical need but also provide an option for consumers to be renters by choice rather than necessity with access to high-quality and flexible rental accommodation.

1. Eurostat. Household Composition Statistics. May 2024
 2. Bloomberg. UK's Housing Crisis Needs a London-Sized City to Fix it. June 25, 2024

Rental demand is also underpinned by favorable demographics and structural changes happening both in consumer acceptance and lifestyle choices. A substantial share of the housing stock in Europe is older than 50 years with many buildings in use today that are hundreds of years old. Many of the residential buildings have been constructed before the 1960s when energy building regulations were very limited. **We anticipate demand for newer multifamily product to increase, as consumers realize the benefits of purpose-built apartments.**

According to the latest INREV Investment Intentions Survey, residential took a solo top position for the first time as the most preferred sector to invest in across Europe over the next two years.³ Institutional ownership of purpose-built for-rent residential has become more mainstream, but there are still opportunities to develop a high-quality modern product. **We have strong conviction in the build-to-rent (BTR) sector across leading UK towns and cities.** We see a compelling opportunity for us to leverage our multifamily expertise in the UK, as well as in other European markets.

3. INREV. Investment Intentions Survey 2024



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