

Europe Residential Real Estate - Market Share Analysis, Industry Trends & Statistics, Growth Forecasts (2024 - 2029)

<https://marketpublishers.com/r/E7A10907B821EN.html>

Date: July 2024

Pages: 150

Price: US\$ 4,750.00 (Single User License)

ID: E7A10907B821EN

Abstracts

The Europe Residential Real Estate Market size is estimated at USD 1.95 trillion in 2024, and is expected to reach USD 2.43 trillion by 2029, growing at a CAGR of 4.5% during the forecast period (2024-2029).

Key Highlights

Housing demand in Europe is projected to continue to be driven by a combination of demographic factors. Over the past decade, Europe's population has grown rapidly, resulting in an increased demand for housing. This growth has been accompanied by a decrease in the average household size as a result of an aging population.

Housing demand is expected to continue to grow as a result of demographic factors such as an increasing number of households in Europe's largest urban centers. The number of households in the EU's capital cities is projected to grow by 3% in the next five years.

As demand continues to grow, many European cities are already struggling with a lack of new housing developments. Over the past decade, construction activity has been 45% lower than the pre-crisis average, and supply has been unable to keep up.

In the past 18 months, the pipeline has continued to dry up, and the situation is expected to remain subdued. While construction cost inflation is projected to ease from 2023 and the peak seen in 2022, there will still be upward pressure on costs, mainly driven by wage increases.

The construction sector faces a number of challenges, including a lack of financing, lengthy planning processes, and uncertainty about exit values, which are expected to further exacerbate the supply and demand imbalance, putting further pressure on affordability.

The cost of living is anticipated to continue to rise as higher mortgage rates make it less affordable to own a home while a limited new rental supply pushes up rents. Mortgage rates in the euro area and the United Kingdom have been at their highest levels since 2009 and are expected to remain high.

This makes renting relatively attractive in many markets. However, the rental segment is already oversupplied, and increasing demand is likely to push rents higher. Some markets may see double-digit rent growth, while others are restricted by rent controls. Tightening regulations will reduce supply further. Vacancy is expected to remain low. While regulation remains a concern, rising market rents are set to underpin robust income growth.

Europe Residential Real Estate Market Trends

Student Housing to Gain Traction

The demand for student housing in Europe is set to continue to grow, driven by the increasing number of international students. In addition, the aging population is also putting pressure. As a result, occupier fundamentals in all subsectors are expected to remain strong, underpinning rental growth in 2024.

With a student population of 1.2 million, Poland is the 6th largest potential market in Europe for student accommodation operators, second only to Spain and Italy. The market potential for student accommodation operators in Poland is 2 to 3 times that of the Netherlands.

There is an unmet demand of 200 to 400 thousand beds for student housing in Poland, driven mainly by domestic mobile students who move to other cities to study, as well as the growing number of international students. The student housing market is still in its early stages in Poland, providing investors with attractive opportunities for yield and capital value growth.

On the other hand, rental rates for operational projects within Poland's student accommodation sector have increased by 30% to 60% over the last three years,

depending on the city and the asset. Warsaw saw a 50% increase in rental rates. In the city of Skopje, rents increased by around 30%. In the city of Tri-City, rents increased by 50%. In Wrocław, rents increased by 30-50%, and in the city of Krakow, rents increased by 40-60%. It is clear that the new supply cannot keep up with the increasing demand.

United Kingdom Holds a Prominent Position in the Market

The living sector is benefitting from structural and demographic tailwinds, which means that sentiment toward the sector remains strong despite broader macroeconomic headwinds. Occupational demand in the private rented sector and the demand for purpose-built student accommodation in the face of an acute supply shortage have contributed to strong rental-value growth across all subsectors. This rental growth, in combination with more flexible asset pricing, has attracted investors into the sector.

Year-on-year transaction volumes have fallen significantly. This is largely due to asset holders remaining reluctant sellers rather than a general softening in investor appetite toward the sector. An estimated 82,940 sales were completed in February 2024, which was 1.2% more than the sales recorded in January. This was the second consecutive monthly increase. However, sales still remain 5.6% below the same time last year and 15.5% below pre-pandemic levels.

Investors are continuing to focus on well-positioned, high-quality schemes with robust environmental, social, and governance credentials – all key factors in attracting tenants. Student accommodation schemes affiliated with world-class universities are expected to remain at the top of investors' priorities.

The living sector is expected to continue to deliver positive results, supported by an increase in rental values, albeit at more normalized levels, as affordability concerns constrain investors' capacity to drive up rental values. Increased investor attention to the long-term cost-effectiveness of schemes is critical to underpinning asset-income profiles with certainty and stability.

Europe Residential Real Estate Industry Overview

Europe's residential real estate market is moderately consolidated, with a few players dominating the market. Major real estate players in the market are Elm Group, Places for People Group Limited, LEG Immobilien AG, Consus Real Estate AG, and CPI Property Group. The proportion of residential real estate property sales through online channels has consistently grown due to the rising internet penetration, growing demand, increasing personal disposable incomes, surging middle-class youth population, and opportunities offered by government infrastructure investments.

Additional Benefits:

The market estimate (ME) sheet in Excel format

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