



## Catella predicts a new density level in major European cities

It's getting more crowded in Europe's major cities - the number of inhabitants per square kilometre is increasing continuously. On average, the space per inhabitant has fallen in 17 studied European cities by a total of 8.2 percent since 2000. This compression has implications for tenants, policy, the housing and real estate industry, and the infrastructure responsibilities of municipalities.

In its latest Market Tracker "Densified cities – space is becoming scarce in Europe", Catella Research examines the consequences of this condensation on the local real estate markets in major European cities.

"According to analysts, one main reason for this development is, superficially, the inflow into these cities. This urbanisation ultimately expresses the resurgent appeal of cities. It creates new occupational mobility patterns, new social typing and, especially, new lifestyles," says Dr. Thomas Beyerle, Head of Group Research at Catella.

Although Europe is often perceived as very heterogeneous, as reflected in the surprisingly many parallels between the housing markets in cities such as Berlin, Helsinki, Paris, Madrid and London, there has been significant inward movement in the past 15 years. This is reflected in a "perceived tightness" among residents, although the situation is still comfortable when compared to many global cities. The model image of the "compact city" is increasingly becoming a reality for Catella.

The trend towards luxury urban apartments in residential towers, with over 150 sqm of living space, such as in London, stands at one end of the size structure, with so-called micro-apartments averaging 24 sqm at the other end. The greatest number of housing completions per 1,000 inhabitants in 2015 is expected in France, Switzerland and Norway, with the fewest in Portugal, Spain and Hungary. European living area distribution by size class shows that 12 percent are classified as < 30 sqm and 23 percent as > 90 sqm. The largest segment, 65 percent, is the size class 31-89 sqm. The well-known concept of mini houses from Asian countries is finding its first followers. This form of housing is characterised primarily by "plug-and-play" ideas. Capsule forms of housing, or modular concepts, are other modifications that will share an efficient use of space, predict the analysts.

"As a consequence, market participants should be clear that political authorities in cities or countries will increasingly regulate the "dynamic" of property markets. For this reason alone, the real estate sector should contribute more of its expertise in planning processes, and focus on individual buildings. However, European markets will not have to worry about conditions similar to those in Tokyo, except for building rules, fire protection and the social understanding of this generalisation," Dr. Beyerle points out.

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