

Challenges of the Demographic Change for the German Housing Industry

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Rechtsanwalt Dr. Lutz H. Michel
Nadia Grossmann
Hürtgenwald, Germany

Challenges of the Demographic Change for the German Housing Industry

1. Initial Situation: Aging Society, declining population, new demands and financial opportunities, structures of the housing market, more purchasing power of the older people, new values of the generations 50+
2. Challenges for the German housing industry: avoidance of vacancies, new housing concepts to realize, design of living space fitting to the demands of the upcoming users
3. The demographic development: Chances for investors, developers and financiers in residential real estate

Challenges of the Demographic Change for the German Housing Industry

Initial Situation - 1

- Determinants for the demographic change:
 - German population is growing older:
 - Today: 36,3 % older than 50 yrs
 - 2014: 39 % older than 50 yrs
 - 2040: 50 % older than 50 yrs (approx. 30 mio. persons)
 - 2050: more than 30 % older than 60 yrs
 - German population is declining:
 - 2001: 82,5 mio.
 - 2013: 83 mio
 - 2015: 75 mio (as in 1965!)

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Initial Situation - 2

- Determinants for the purchasing power of the future senior citizens:
 - Today: 80 % of the seniors enjoy a good or very good financial status and represent an enforced buying power
 - For example: figures of the income - situation in Nordrhein – Westfalia (2003)

Average income of a senior citizens household: 2.550 € per month

Average disposable resources per household : 1.492 € per month

Average disposable resources per person: 710 € per month

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Initial Situation - 3

- Determinants for the purchasing power of the future senior citizens (cont.)

- Asset status in Germany today:

- 2.000 Billions € financial assets owned by the people older than 60 yrs

- People 60 + are owning approx. 60 % of all private property (all asset classes)

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Initial Situation - 4

- Determinants for the purchasing power of the future senior citizens (cont.)

- Asset structure in Nordrhein – Westfalia today:

62 % of the seniors households own their own flat or house; 51 % are houseowners; 9 % are owners of a condominium

In addition: the seniors accumulated significant monetarian funds:

87 % have cash funds: 42 % approx. under 12.500 €, approx. 30 % 12.500 – 51.000 €, 15 % more than 51.000 €

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Initial Situation - 5

➤ New Values – New Demands

- Older People today are active, healthy and: they want to spend their money:
 - The major trend: „Schöner leben statt prallem Sparschwein“
(More beautiful living instead of accumulating more money)
- The seniors of the future represent the generations
 - born in the 50s and 60s
 - school and/or academic education in the 70s and 80s

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Initial Situation - 6

- New Values – New Demands (cont.)
 - These are the generations having grown up with
 - The Rolling Stones
 - Greenpeace
 - the „APO“ – the Student's Revolution of the 68 - Generation

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Initial Situation - 7

- The structure of the inventory of the existing homes: age, space and technical shape
 - In Germany approx. 50 % of the existing apartments have been built in the 50s, 60s and 70s: i.e. they have the age of their inhabitants
 - The living space per person is yet growing:
 - 2003: 41 sqm
 - 2015: 46 sqm
 - 2030: 52 sqm

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Initial Situation - 8

- The structure of the inventory of the existing homes: age, space and technical shape (cont.)
 - The figure persons per flat is declining because of the diminishing population and the growth of older one – person - households
 - The majority of the existing homes is designed for families with children, not for single or two person households

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Initial Situation - 9

- Depopulating urban areas vs. growing outskirts

- Change of paradigmas:

- During the last decades of the 19th century:

- „Landflucht“: Growing urban areas, depopulating countryside

- In the 70s, 80s and 90s:

- „Stadtflucht“: Depopulating urban areas and growing outskirts
(especially single family homes)

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Initial Situation – 10

- Vacancies and devaluation of assets: upcoming risks for the housing industry
 - Older people leaving inappropriate homes
 - Vacancy cost vs. investments in better homes for older people: how to improve the inventory and when?
 - Decreasing quality of the urban infrastructure effects vacancy and devaluation

Challenges of the Demographic Change for the German Housing Industry Chances and Strategies - 1

➤ Analysis and Focus

- First of all: Focus on the demographic change as one of the most important influences of future business development
- Second: Analysis of the inventory by the relevant criteria as:
 - Local situation in regard of the demographic development in the upcoming decades
 - Evaluation of the technical shape and options to improve the buildings and flats
 - Evaluation of the profitability of the thinkable scenarios

Challenges of the Demographic Change for the German Housing Industry Chances and Strategies - 2

- Avoidance of Vacancies and Devaluation of Assets by sustainable improvement
 - Optimizing of the existing residential buildings:
 - Creating accommodation fitting for the needs of the senior citizens
 - Services for the Old: more Add – on's for a more convenient life of seniors
 - Increasing the Quality of the urban infrastructure (Service – Networks)

Challenges of the Demographic Change for the German Housing Industry Chances and Strategies - 3

- Creating new Products: Assisted Living in One's own apartment
 - Optimizing of the existing flats (barrier free)
 - Creating serviced accommodation in cooperation with health care and nursing services
 - Building up service – networks
 - Rating and quality standards: new usp's for new products (for example: „Gütesiegel Betreutes Wohnen NRW“)

Challenges of the Demographic Change for the German Housing Industry Chances and Strategies - 4

- Building new homes fitting for all: Sustainable real estate business for the housing industry
 - Developers, architects and investors should only think about residential projects designed and optimized for the needs of the future generations 50 +
 - Creating accommodation for special requirements (Alzheimer etc.)
 - Creating refined residential buildings (quality, cost, services, leases etc.) for discriminating clients

Challenges of the Demographic Change for the German Housing Industry Chances and Strategies - 5

➤ Chances and Possibilities

- Creating appropriate living space diminishes the risk of vacancies and devaluation
- Appropriate housing opportunities diminishes the risk of depopulated urban areas
- Creating refined residential buildings attracts new users and clients
- The demographic change enforces the focus of future demands of all of us

Challenges of the Demographic Change for the German Housing Industry Chances and Strategies - 6

➤ Let`s make Things better and keep them simple:

“Design for the Old and You include Everybody“

(Jean Paul Treguet, Founder and CEO, Senioragency International, Paris)

I.e. for the Housing Industry:

„Match the needs of the Seniors and You will be creating a sustainable
future for your Business“

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➤ Thank You very much for your interest and attention!

➤ For discussion or more information please contact:

Dr. Lutz H. Michel

Nadia Grossmann

Rechtsanwaltskanzlei Dr. Lutz H. Michel

Broichstraße 2

D – 52393 Hürtgenwald

Fon: + 49 – 2429 – 90 363 90

Fax: + 49 – 2429 – 90 363 99

E-Mail: Dr.Michel@RADrMichel.de