

A STRATEGIC VIEW ON RESIDENTIAL

Reflecting on relevant living spaces in an Era of change and disruption.

ABSTRACT

The present article aims to present **Reify's** strategic vision for residential mix-use projects based on its propriety model tool PSWL. This tool allows to define different positioning segments that are portrayed in diverse ways and embody specific lifestyles. We invite readers to embark on a journey where the grounds for relevance and significance are set to then give space to a vision focusing on designing, developing and managing living spaces. Always relying in a human centred perspective with the clear objective of maximizing the project's value and finding the best economic fit.

The world is changing and so are people and the way they inhabit spaces:

People are changing the way they live, work, shop and play and this is mostly impacted by a changing world.

There are three main factors, in the background, playing a key-role in this scenario and functioning as a push movement: urbanization, mobility and Covid-19.

- Urbanization: a global housing crisis due to the increasing urbanization and the consequences it entails. People find cities attractive for the opportunities they present. Nonetheless cities are overcrowded (population living in cities increased from 55% in 2020 to 68% in 2050; 95% occupancy in cities) and expensive (scarce residential offer – 2% of new developments; ratio salaries vs. Housing cost ↑ 40%).
- Mobility: more connected ecosystems force infrastructure integration in order to create a seamless environment with cities catalysing new lifestyles. 30% penetration of mobility services (soft mobility networks, shared-services hubs, ...).
- Covid-19: the pandemic sparked the need to seek balance in terms of housing: spending more time closer to where one lives, local consumption, working from anywhere and focusing on sustainability. For example, 60% of people reconsidering residential







options favour flexibility, neighbourhood feeling and sustainability. "15-minute city" as a new urban development plan focused on providing all essential needs within a 15-minute walk or bicycle ride.

And if the scenario creates a push people adapt and respond with a pull movement shifting what they value, want and struggle.



- Value: main trends are magnified by the current context: digitalization (87% of consumers own a smartphone), sustainability (81% of consumers consider sustainability in a purchase), wellbeing (43% of consumers spend in solutions connected to wellbeing) and sharing (sharing economy already accounts for 2% of GDP, a clear indication of people questioning ownership) are now key.
- Want: to overcome uncertainty and entropy people seek safety (81% of consumers selects safety as a key factor when selecting a location), freedom (67% mentions that freedom is fundamental in the decision making process) and human connection (72% of consumers refer feeling alone – connection with others is one of the core explaining factors of human happiness).
- Struggle: housing options are fundamental for life dynamics (73% of consumers that are happy with their housing options display higher levels of happiness) but often represent tension - 40% of

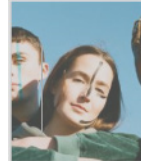
weight on spending (mortgages and related costs; 61% of people are not satisfied with the current model, questioning ownership).

Due to this, dynamic **new ways of living are generated**. Such are displayed in different conceptions of spaces, where boundaries are increasingly blurred, and usages blended. Therefore, fluidity is key.

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|  <p>INHABIT Coliving The Room. An offer for young professionals with an international network in several cities around the world. Relevant because: A home that is intended to be temporary and blends living, work, social and mobility.</p> |  <p>WORK Coworking WeWork. Defined as one of the coolest offices around, its challenge is to reimagine the workspace. Relevant because: An office goes beyond work, designed to encourage a sense of community among its users.</p> |
|  <p>MOVE Uber party, a bus that besides transporting its passengers offers a leisure experience. Relevant because: A mean of transportation no longer serves only to get around.</p> |  <p>EAT Dark / cloud kitchens with no staff, only cooks, and food sent through specialized delivery services. Relevant because: Areas can be used to monetize under-utilized real estate space.</p> |
|  <p>STROLL Public space requalification and design through park equipment. Relevant because: Facilitates relaxation and provides comfort.</p> |  <p>SHOP Third generation GranCasa's Food Hall mixing food, leisure and work. Relevant because: An example of uses integration fit for a flexible and modern lifestyle.</p> |

Furthermore, **human landscape is more diverse than ever**, where **generational differences are key to make sense of opportunities in this market**.

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|  <p>BOOMERS Generation 55-75 years old An optimistic, consumeristic and mostly traditional generation. They represent a disruption of the stereotype for older people, they do not want to feel old, they want to remain active assimilating new knowledge and they reject age ghettos.</p> | <p>RELATE WITH OTHERS 43% live alone and are concerned about loneliness due to health issues.</p> <p>WORK are retired even though many remain active (more growth).</p> <p>HAVE FUN 30% travels 47% has hobbies</p> <p>FOCUS 77% health and wellness - staying physically and mentally active and socializing 67% use technology to communicate with their family</p> |
|  <p>GEN X Generation 35-54 years old A frontier generation, between analog and digital, between conventional and adaptation. The generation that tried and failed to change. They grew up with some stability but maturity gives them instability in relation to family, consumption and work.</p> | <p>RELATE WITH OTHERS 35% of conventional families 21% of singles</p> <p>WORK 88% has a stable job</p> <p>HAVE FUN 20% spend their income in leisure</p> <p>SETTLE 67% live in the suburbs although 34% mention that they wish they were closer to their work.</p> |

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|  <p>MILLENNIALS Generation 25-35 years old They challenge conventional life models, preferring to live in urban environments, work less with more flexibility, enjoy life, have the opportunity to live in different cities and countries, question gender roles and adopt other family models.</p> | <p>RELATE WITH OTHERS 64% does not have a significant relation (marriage can wait)</p> <p>WORK 50% wants a flexible job and 30% are freelancers</p> <p>HAVE FUN 50% spend their income in leisure</p> <p>SETTLE MOBILITY 55% selects services instead of ownership 63% prefers to live in cities</p> |
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In consequence there is a clear appetite for different and diverse residential models:

People are changing the way they live, work, shop and play and this is mostly impacted by a changing world.

From a demand perspective: The traditional housing model is far from the modern lifestyle which is grounded in easiness, fluidity, connection and flexibility. It is important to note that only 30% of millennials own a house. Therefore, there is a clear opportunity to develop different options.

From a supply perspective: a clear investor appetite for diverse residential assets which are gaining a higher momentum than office segment – multifamily / BTR / student housing / senior living / coliving....

- BTR / Multifamily: growth of 24% from 2007 to 2020 in Europe; growth of 7% 4th quarter 2020 in Europe; represents 18% of Europe's entire commercial market.
- Student Housing: increase of 68% in Europe; growth of 13% 4th quarter 2020 in Europe; €8.8bn investment in 2019 in Europe.
- Senior Living: Western Europe's share of total investment (excluding UK) increased 20%, €21,4bn investment volume in 2019 worldwide.

The Reify. vision for the sector:

Design, develop and manage assets with a modern, meaningful and human perspective, which translates into:

- Creating intentional communities.
- Catalysing market transformation.
- Attracting a wider audience.

The Reify. segmentation for the sector:

PSWL segmentation model is a proprietary tool which is based on a flexible principle. Based on freedom of use, Reify's positioning framework can be adapted to the particularities of a specific location and community. The positioning framework is embodied through four dimensions - Personal, Social, Work, Leisure.



The model displays elasticity to assign different relevancy to each of its component and generate five different positioning segments/ways of living which are characterized by its activators, persona and focus. Within this frame of reference, the following segments are defined: active living, trendy living, sustainable living, community living and exclusive living.

The Reify. added value:

Reify deploys a consultancy approach that respects the project's particularities – location and ecosystems – defining best economic fit.

In order to do so, a methodological framework that starts with the human perspective, adapting the defined concept to a specific reality, understanding the economic context and defining and testing the proposed approach is applied.

This methodological framework is set on three different steps:

1. Adapt to the local reality: Adapt the concept to the project needs considering the human reality in the location under analysis.

2. Model based on an economic layer: Potential opportunities are placed in the context of the macro and micro-environment, including an analysis of demand, supply and competitive environment
3. Test to find the best solution: With the accumulation of previous layers find the best solution for the project.



Find out more:

If you found this article relevant and interesting, we would be thrilled to tell you more and work with you and your company in any project you find fit. Please contact our Head of Strategy and Intelligence, Rafael Pelote, by sending him an email at rgpelote@reify.com