

Real Assets Snapshot

European Alternative Living:

Comparing the UK, Germany, and France



Executive Summary

Alternative living that typically offers flexible housing solutions for students, expats, young professionals and alike, is evolving from a niche housing concept into an institutional real estate segment across Europe.

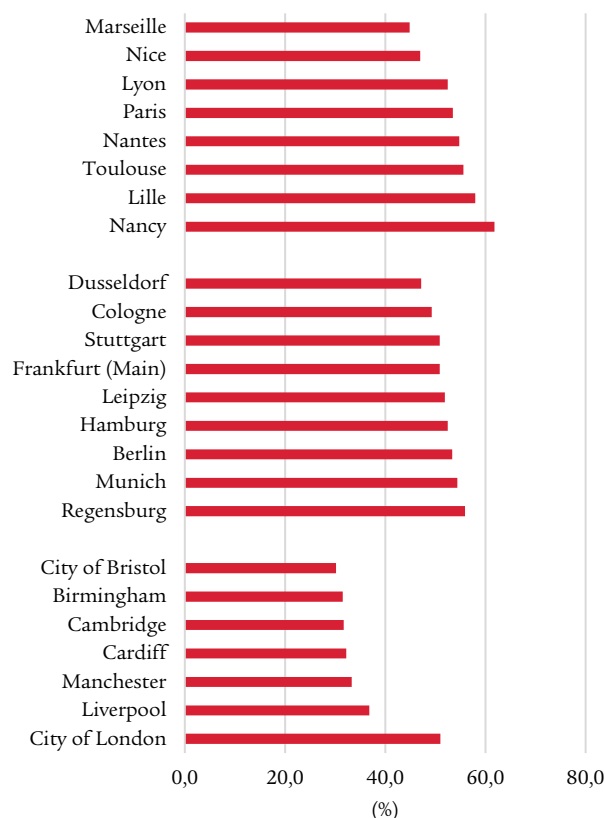
Especially the United Kingdom, Germany and France are benefitting from the same structural drivers that include urbanisation, rising numbers of single-person households, housing affordability pressures and increasing labour mobility. At the same time, all three markets face persistent and significant housing shortages, especially in the metropolitan areas. The UK represents the most mature co-living market, supported by institutional capital and product acceptance.

Germany offers perhaps the strongest structural demand-supply imbalance, particularly in Berlin, Hamburg and Frankfurt. France, in particular, offers attractive opportunities in student housing, driven by one of Europe's largest student populations and demographic growth. While market fundamentals are compelling across all countries, dominating concepts and market structures differ significantly, creating distinct risk and return profiles for investors.

One Term, Many Definitions

Alternative living encompasses residential formats that differ from traditional owner-occupied housing or conventional apartment rentals by prioritising and

Share of one person in household, selected cities



Source: INSEE, ONS, Riwis, latest Census data

combining flexibility, affordability, convenience and, in many cases, community. The segment typically includes micro-living, co-living, student housing, and serviced apartments concepts. Micro-living focuses on compact, fully furnished units designed around space efficiency,

while co-living combines private accommodation with shared amenities and professionally managed communal spaces. Both formats are particularly attractive to students, young professionals, mobile workers and increasingly mid-career households seeking flexible urban housing solutions. While the underlying investment rationale is consistent across Europe, market definitions vary by country. In the UK, alternative living is predominantly associated with micro- and co-living products targeting urban renters through all-inclusive, community-led operating models. Germany uses the broader umbrella term “*Apartments Concepts*”, which covers a spectrum of furnished concepts including co-living, micro-living, student living and senior living. France applies a less standardised definition, with the market largely centered on purpose-built student accommodation (PBSA) and emerging senior-living products. While PBSA is typically treated as a standalone living sector in the UK, it is frequently included within the broader alternative-living landscape in France, reflecting both strong student demand and demographic trends. These differences highlight that alternative living should be viewed less as a single asset class and more as a family of operational residential formats responding to changing demographic and lifestyle trends.

Structural Demand Drivers

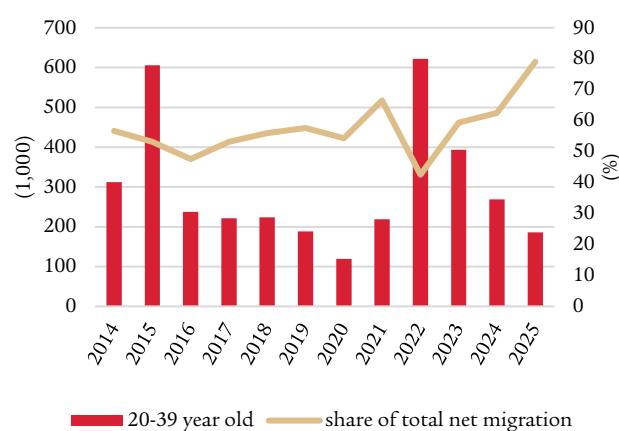
Across Europe, shrinking household sizes are increasing demand for compact and flexible housing solutions. In Germany, 42% of households are already single-person households (Destatis). France reports 39.1% (INSEE, 2023), while the UK (30.2%, ONS Census 2021) continues to benefit from strong immigration and growth of the working-age population, particularly in London. Capital cities are prominent examples that single households are predominantly found in urban areas: The City of London counts 51% of single-person households, Berlin and Paris report similar shares. At the same time, the share of households renting living space has increased significantly, notably in the metropolitan areas and among younger people. E.g. while the nationwide share of households renting in Germany stands at approximately 56%, 80% of households in Frankfurt and Berlin are renting. In London 53% of households rent their homes (private or social), compared with roughly 35% across England, according to Census 2021 data. In Paris, 62% of households are renters, to 42% at the national average. Furthermore, it is rather the younger households that are requesting rental accommodation: 78% of Parisian households aged 20 to 39 are renting. In the UK, the average age of first-time buyers has been increasing

since 2004 and stands now at 33.8 years, from 31.4 in 2004, indicating individuals are staying in rented housing for longer.

Altogether, these trends point to a structural shift in housing demand with the underlying force of migration. Net migration not only drives overall population growth but also expands the core target group for alternative living formats, which typically cater to younger adults aged 20 to 39. For example, in the UK, 72% of co-living residents are between 26 and 40 years old. The case of Germany illustrates that the vast majority of net migrants are aged between 20 and 39 years, while in France roughly 45% of all immigrants are aged 20 to 35. Alternative living formats such as co-living, micro-living and serviced apartments are particularly well positioned to meet the needs of young, migrant demographic groups. By combining smaller private units with shared amenities and services, they offer a more affordable and flexible housing solution for students, young professionals, new migrants and mobile workers.

As migration flows are heavily concentrated in major metropolitan regions, these demographic effects are amplified in urban markets. For instance, 55% of newcomers to France settle in urban areas and 37% live in the Paris region (INED; based on INSEE data). According to Destatis, a similar pattern can be observed in Germany. Thus, it is primarily the large metropolitan areas where alternative living formats can address structural housing shortages and create the greatest value.

Net migration at the example of Germany



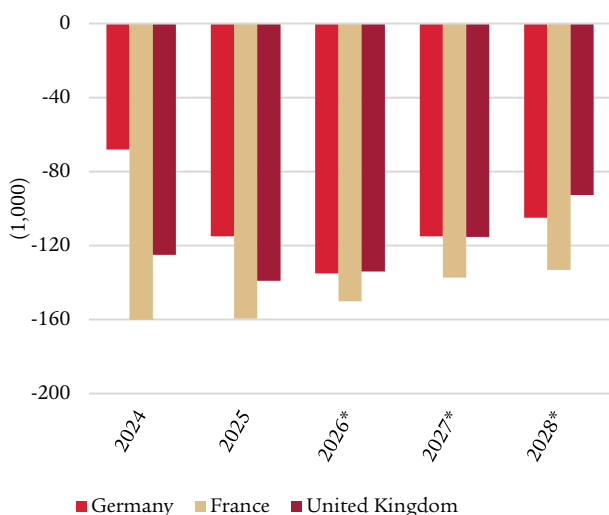
Source: Destatis

Supply Shortages support Growth

Positive net migration is faced with a severe housing shortage. In all three markets, residential completions continue to fall short of national housing targets. Consequently, (rental) demand has significantly

outpaced available supply, contributing to exceptional rental growth in recent years and mounting affordability pressures. Germany faces one of Europe's largest housing deficits, with industry estimates ranging from approximately 550,000 to 1.4 million units. The top seven German cities alone are estimated to lack around 250,000 homes. These figures do not factor in future undersupply. To meet the current national house building targets, new supply in France, Germany and the UK would need to increase by around a third. In France, the housing deficit includes 640,000 student beds by 2030 according to JLL. For Greater Paris and Lyon, Bonard reports a current gap of roughly 70% of existing stock of student beds.

Housing shortage by country



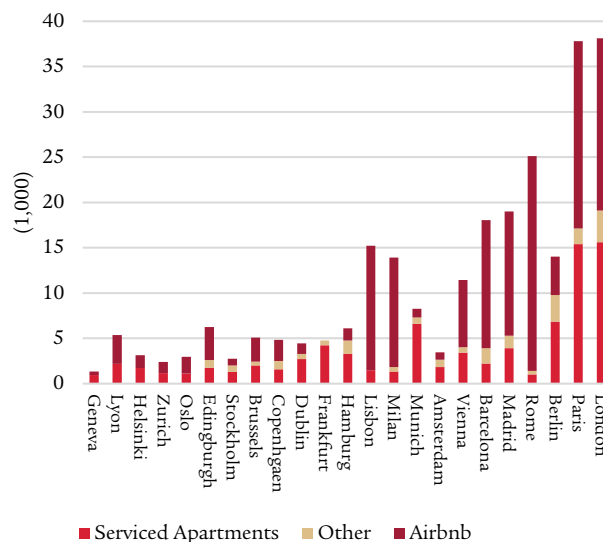
Source: difference between completed dwellings and national housing target, Euroconstruct, national governments

To summarise, people in need of housing in France, Germany and the UK are contrasted with a severe housing shortage and consequently face affordability issues, especially in the top cities.

Relevant Markets

(Young) adults in need of central and flexible housing can therefore find a solution in alternative living as these formats provide relatively easy access to otherwise tight housing markets. Following this demand, alternative living schemes tend to concentrate in tight housing markets in metropolitan areas. The overall supply shortage of living space causes an increase of these offers. E.g., in Germany the number of short-term offers increased from 4,160 in January 2012 to 21,100 in July 2026, according to data from Value AG.

Short-term room supply by selected European markets and segment



Source: Savills

London, Paris, and Berlin have the largest short-term rental markets in Europe by number of listed units. In France, Paris is complemented by several other major destinations, including Nice, Marseille, Cannes, Lyon, and Bordeaux, where the supply of short-term rentals range from approximately 6,000 units in Bordeaux to nearly 16,000 units in Nice. In the UK, London overwhelmingly dominates the short-term rental (STR) market. Nevertheless, secondary cities such as Brighton & Hove, Liverpool, Birmingham, and Manchester also maintain sizable STR markets, each recording roughly 2,500 to 4,000 active listings according to Airbtics. In Germany, beyond the top seven markets that as off July 2026 count ca. 5,500 offers, to 990 in January 2012, several university cities rank among the country's leading private short-term rental destinations. According to an analysis of Value AG data, Nuremberg, with approximately 9,000 units, and Aachen, with around 4,000 units, are both among the top 20 markets in terms of available STR supply.

The Social Aspect

Beyond the accessibility factor, communal living models supports connection and mental wellness. There are studies showing that feelings of loneliness are less frequent when living with others. In the UK, 19% of survey respondents that live with others feel lonely often to some of a time, to 37% that live alone. In Germany, roughly a quarter of all single-person households and people aged 18–29 years report above-average loneliness, to 16% at the average. The age cohort 25–35 years also has one of the highest single household rates (28%) in Germany, second only to the

elderly. Co-living models can support connection and help mitigate loneliness and can potentially benefit mental wellbeing. In France, intergenerational housing initiatives have gained traction, pairing students with older adults to promote companionship, mutual support and social inclusion.

The Affordability Aspect

While alternative living formats are typically more expensive per square meter than conventional one-bedroom apartments or traditional (public) student housing, they offer a distinct affordability advantage. Through all-inclusive rental packages that combine accommodation with utilities, internet access and, in some cases, additional amenities, residents benefit from greater cost transparency and predictability. Moreover, these formats mitigate high urban housing costs by reducing private living space while expanding access to shared amenities and services. Co-living schemes, for example, often provide communal lounges, laundry facilities, fitness areas and coworking spaces that would otherwise be unaffordable for many residents on an individual basis.

Cost features of living formats

Feature	Co-living	Micro-living	PBSA	Serviced Apartment	Multifamily
All-inclusive housing cost	Yes	Often	Yes	Yes	No
Furnished	Yes	Yes	Yes	Yes	No
Flexible rental terms	Yes	Often	Rarely	Yes	No
Utility contract	No	Rarely	No	No	Yes
Upfront moving costs	Low	Low	Low	Low	High
Monthly cost predictability	High	High	High	High	Low

Source: Swiss Life Asset Managers

As a result, alternative living concepts can enhance effective affordability by lowering upfront costs, reducing ancillary housing expenses and leveraging shared spaces and services to offset high urban rents.

Market Differences

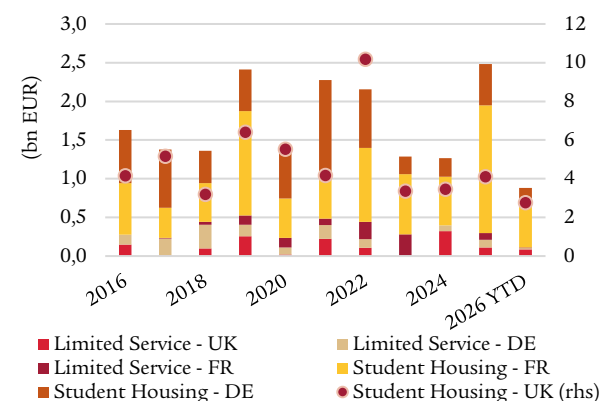
While the underlying investment rationale is consistent across Europe, market definitions and structures vary by country as discussed in the “One Term, Many Definitions” section. Besides their segment definitions, alternative living markets also vary by their maturity

level. The UK is the most established co-living market and has attracted more than GBP 1 billion of investment between 2020 and 2024 in this segment. Institutional ownership, operational expertise and investor familiarity create a relatively mature investment environment there. Germany remains in an earlier stage of development but offers significant scaling potential driven by urban housing shortages and strong renter penetration. In France, alternative living mainly focuses on PBSA – which in the UK is a standalone segment – that is also actively supported by the government. The French’s government plans +35,000 new student housing units by 2027, while co-living faces substantial political headwinds as policymakers are increasingly scrutinising co-living as a potential means of circumventing rent control regulations in major cities such as Paris, Lyon and Bordeaux. E.g., in Paris, a “zero co-living” policy no longer approves new co-living projects. Thus, investors can access different risk-return profiles, ranging from mature income-oriented strategies in the UK to growth-oriented opportunities in Germany and specialised thematic investments in France.

An Involving Investment Market

Due to the absence of a universally accepted definition of alternative living and the lack of consistent transaction reporting across markets, direct investment volume data for the sector remains limited. In Germany, for example, co-living, student housing and other micro-living formats are typically captured within broader residential categories. To assess institutional investor activity, transaction volumes in the purpose-built student accommodation (PBSA) and limited-service hotel sectors are therefore used as a proxy, as both segments share key characteristics with alternative living and benefit from comparatively transparent market data.

Alternative living investment activity (proxy)



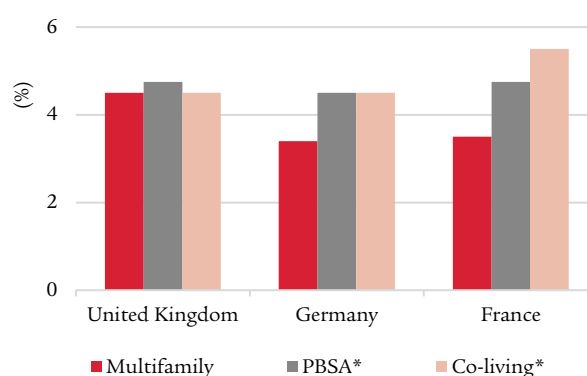
Source: MSCI RCA (“hotels: limited service” and “student housing”), PMA, YTD = August 18th

The data indicate that alternative living has evolved into an increasingly institutionalised real estate strategy across the UK, Germany and France. While annual transaction volumes remain cyclical and sensitive to broader capital market conditions, investor appetite for operational residential products has proven relatively resilient. The UK continues to represent by far the largest and most liquid market, particularly in PBSA, where annual investment volumes have consistently exceeded those observed in continental Europe. Moreover, the UK also regularly reports deals in the co-living segment. In France, transaction activity in the alternative living segment is dominated by PBSA deals (2025: EUR 1.4 bn to a historical average of around EUR 360 million), reflecting growing investor interest in operational residential assets and an expanding student housing market. The most liquid markets are Paris including Ile de France, Toulouse and Bordeaux (metro). On the other hand, the French co-living investment market is reported to be very small, due to the aforementioned political headwinds. According to Colliers, roughly EUR 120 million was invested in the French co-living market in 2025, a drop by 50% and the lowest volume on record. Germany represents a comparatively established alternative living market with investment activity extending beyond PBSA into a broader range of micro-living formats. According to CBRE, the sector attracted annual investment volumes of approximately EUR 1 billion during several years prior to the market correction in 2023. In 2025, Germany's modern living investment market reached EUR 257 million. While this remains well below the historic peaks of more than EUR 1.2 billion recorded in 2017 and 2021, it represents a strong recovery, with investment volumes increasing by 185% year-on-year compared to 2024. Altogether German alternative living has become an increasingly recognized investment strategy, particularly in major urban centers such as Berlin, Munich, Frankfurt and Hamburg. While investment volumes have become more volatile in recent years, the data indicates the continued investor engagement with operational residential products and highlights the sector's comparatively deep liquidity.

Yield Premiums Offered

Beyond transaction activity, pricing dynamics provide further evidence of the sector's increasing institutionalization. Prime yields offer insight into how investors assess the risk-return profile of alternative living assets relative to conventional residential investments and therefore serve as an important indicator of market maturity and capital market acceptance. Operated living assets typically command a yield premium over traditional residential investments, reflecting their more operationally intensive business models and higher income potential. In France, prime yields for co-living assets stood at 5.50-5.75%, while student housing traded at 4.25-4.75% at the end of 2025. By comparison, conventional multifamily assets generated prime yields of 3.50-5.00%. In the UK, Knight Frank reports that the prime London co-living yield stood at 4.50% as of June 2026, broadly in line with prime Build-to-Rent (BTR) assets in Greater London (4.50%) and slightly sharper than prime PBSA (4.75%). This pricing reflects the growing institutional acceptance of co-living as an established residential asset class. In Germany, CBRE reports a prime yield of 4.50% for the modern living segment, at the end of 2025. This represents a spread of 110 basis points over prime multifamily residential assets, underlining investors' requirement for a premium to compensate for the segment's operational complexity while also highlighting increasing demand for alternative living products.

Prime yields by country, in H1 2026



Source: CBRE, Knight Frank, Colliers, *PBSA and co-living subsumed under modern living in Germany



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