

Ardian

# European real estate today and in the months to come

*As an eventful 2024 draws to a close – rate hikes, economic uncertainty, worldwide elections and geopolitical conflicts – Ardian’s **Stéphanie Bensimon**, head of real estate, and **Daniel Noeltner**, director in the real estate team, discuss the current and future state of the European real estate environment and the trends that investors should be aware of in 2025 and beyond.*

While 2024 saw some recovery with investment activity slowly picking up, driven by favorable investment rate trends and stabilizing property volumes, deal volume still remains lower than initially anticipated, and visibility into 2025 is difficult and limited. That said, we remain confident in the market and maintain several areas of conviction for the coming year.

Given the current global shift to interest rate cuts, we expect an increased desire to invest in the renovation and refurbishment of older buildings across different real estate asset classes to increase the supply of high-quality, energy-efficient and desired properties on the market. We’ve also seen an emerging trend toward building sustainable cities that allow people to live and work in dynamic, integrated ways. We expect more new projects to be developed with a mixed-use design in mind – combining different uses, such as office, residential, retail and self-storage spaces.

We are particularly optimistic about several subsectors within the broader European real estate industry – namely, self-storage and student housing.

## **European self-storage opportunity<sup>1</sup>**

We’ve said it before and we’ll say it again: the European self-storage market, which is undersupplied and benefits from inelastic, predictable demand, presents a win-win opportunity for investors to tap into a relatively new sector while meeting sustainable investment targets. For those unfamiliar with the market, the environment in continental Europe is vastly different – or underdeveloped – compared with what investors are used to in the United

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States and the United Kingdom. There is 16 times more self-storage space per million people currently available on the market in the United States than in France, and that multiple only grows when you compare the U.S. market to other continental European countries. Adding to this is the relative unfamiliarity among European consumers with the sector – according to a Federation of European Self Storage Associations 2024 survey, almost half of respondents in Spain, Italy and Germany, and 70 percent of respondents in France, had never heard of self-storage.

There is a clear and compelling opportunity to increase awareness for the space, but as Ardian has experienced firsthand, the demand for self-storage is already here. Due to various economic factors, the size of European residential units has decreased in

recent years. This, coupled with the increase in the number of households utilizing rental accommodations instead of owning homes, makes the need for storage space even more crucial.

Ardian entered the sector in December 2023 with the acquisition of Costockage, a leading French self-storage marketplace and operator, and the company is already benefiting from the various growth trends outlined above. Outside the increased demand, self-storage is resilient, with a low break-even point, high occupancy rates, and inelastic demand driven by demographics and socioeconomic shifts as opposed to the macroeconomic environment. Additionally, self-storage makes for a fantastic ESG investment given such spaces require limited maintenance, use low to no levels of energy compared with other commercial buildings and consume little water. Digitalization and AI

implementation is another potential driver for growth within the industry. Specifically, there are unique opportunities to implement remote management, offering greater convenience and flexibility for users to access their storage units through their phones. This approach also increases security for customers' boxes and further reduces operating costs for facility operators. Only a small number of facilities (2 percent in France, for example) currently have the infrastructure needed for remote management, presenting plenty of opportunity for growth.

### European student housing opportunity<sup>2</sup>

In addition to self-storage, we are equally optimistic about the student housing opportunity in Europe, which offers strong investment potential, fueled by rising student demand and a significant shortage of quality housing, especially in major university cities. The sector has proven its resilience, backed by strong demographic trends and increasing investor interest.

The student population in Europe is projected to grow by 10 percent between the academic years 2021-22 and 2030-31 and is expected to reach a record 23.5 million students. This fast-growing population, particularly from abroad, is driving the demand for quality student accommodations across Europe and creating opportunities. Despite this projected increase, there exists a significant supply imbalance that will only be further exacerbated by the growing population. The current student housing development pipeline is inadequate to meet this demand.

The current student housing development pipeline is only expected to address 11 percent of the existing unmet demand for student accommodations across European cities, indicating there is a substantial shortfall in available beds and highlighting a significant market opportunity for further development and investment. This unmet demand is expected to reach 3.2 million students – marking an 8 percent increase compared with the 2022-23 academic year – signaling that student housing development will be critical to be aligned with the increasing needs of the student population.

To meet the current levels of unmet demand across 16 key European countries, the student housing sector would require an estimated €450 billion [\$485 billion] in investment – an amount 34 times higher than the peak annual investment volumes recorded in 2022, €13 billion [\$14 billion].

This critical lack of development underscores the scale of the opportunity for investors seeking to capitalize on the growing demand for student housing. In line with this, Ardian recently announced a partnership with Rockfield to establish a pan-European student housing investment strategy for CBRE Investment Management, with a commitment of €500 million [\$539 million].

### Sustainability as a fundamental

While there is no doubt the self-storage and student housing subsectors pose very compelling investment opportunities – both benefiting from supply scarcity and high demand, among

other things – Ardian takes its investments one step further by incorporating sustainability into all projects. The booming demand for high-quality, Green+ properties with lower utilities and service charges is another trend we have been following closely. We believe sustainability underscores robust value creation in the real estate sector.

Both subsectors are well positioned to benefit from sustainable value creation. In the self-storage area, well-designed properties are low-maintenance and require limited capital outlays. They require little upkeep costs, little to no heating or cooling and are prime targets for the addition of solar generation, which in turn has the potential to make facilities carbon neutral operationally. Most importantly, having sustainable properties makes them cost effective as the principal expense is utilities. In the student housing sector, on the other hand, Ardian has a successful and proven track record of developing and refurbishing properties to the highest design and sustainability standards, lowering service charges for tenants, making buildings competitive.

2025 will be an important year both for Ardian and the broader real estate sector, as the tailwinds outlined above will continue to lead to increased opportunities for investors and consumers alike.

Notes: <sup>1</sup> Fedessa/CBRE, *European Self Storage Industry 2024 Report*; <sup>2</sup> JLL, *European PBSA: Investing in the Future*

### CONTRIBUTORS



**Stéphanie Bensimon**  
Head of Real Estate  
Ardian



**Daniel Noeltner**  
Director,  
Real Estate  
Ardian

### COMPANY OVERVIEW

**Ardian** is a world-leading private investment house, managing or advising \$169 billion of assets on behalf of more than 1,680 clients globally. Our broad expertise, spanning private equity, real assets and credit, enables us to offer a wide range of investment opportunities and respond flexibly to our clients' differing needs. Through Ardian Customized Solutions, we create bespoke portfolios that allow institutional clients to specify the precise mix of assets they require and to gain access to funds managed by leading third-party sponsors. Private Wealth Solutions offers dedicated services and access solutions for private banks, family offices and private institutional investors worldwide. Ardian's main shareholding group comprises its employees, and we place great emphasis on developing its people and fostering a collaborative culture based on collective intelligence. Our 1,050-plus employees, spread across 19 offices in Europe, the Americas, Asia and Middle East, are strongly committed to the Principles for Responsible Investment and are determined to make finance a force for good in society. Our goal is to deliver excellent investment performance combined with high ethical standards and social responsibility. At Ardian, we invest all of ourselves in building companies that last.

### CORPORATE CONTACT

John Haug

Head of U.S. Institutional Investor Relations and Managing Director  
john.haug@ardian.com | +1 212-506-5628

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