New living habits in a fast-changing era

Has Covid-19 changed our housing needs or is it just an accelerator?

November 2020

In 2020, JLL has managed two internal surveys in order to highlight the main changes and the new needs in the residential market, as a direct impact of Covid-19 pandemic. The first survey has been managed in June, in the middle of the pandemic spread, while the second one in September. The surveys involved around 3,000 JLL employees at EMEA level representing a good proxy for the living conditions and necessities of knowledge workers.

According to the surveys released to the Italian JLL employees, as a direct impact of the pandemic…

38% want to move home in the next 2 years

+13% compared to the pre Covid-19 period

27% want to move within a similar urban area

56% want to make some adjustments to the current home, of which

44% interior design (home office/gym)

17% modernize outdoor area

15% extension

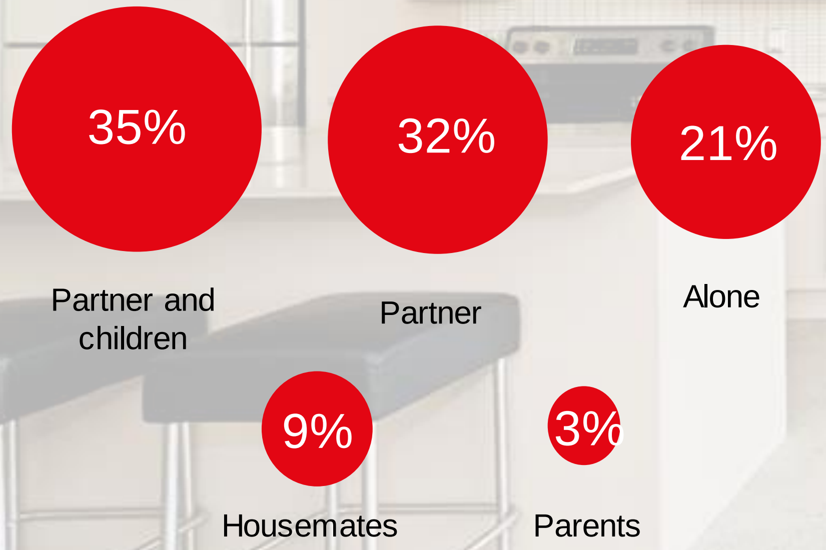
We registered a huge increase in respondents who consider extremely important:

- A private outdoor space (+35 pps)
- A private workspace (+32 pps)
- Energy efficiency (+27 pps)

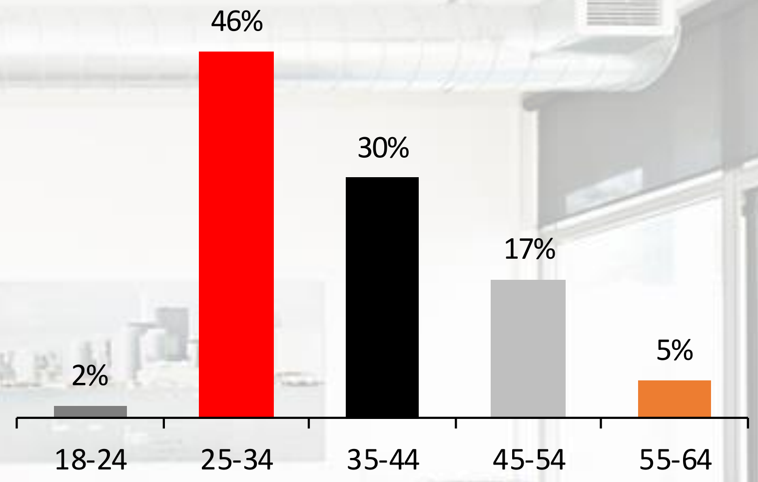
Demographics

58% Female 42% Male

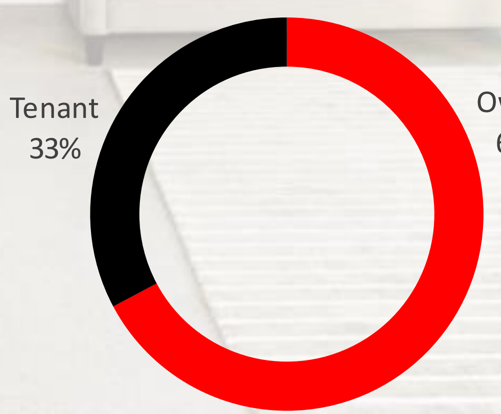
I live with…



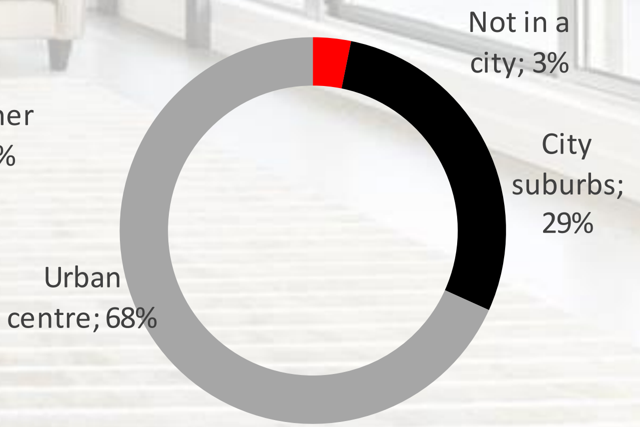
How old are you?



I am …



I live in …



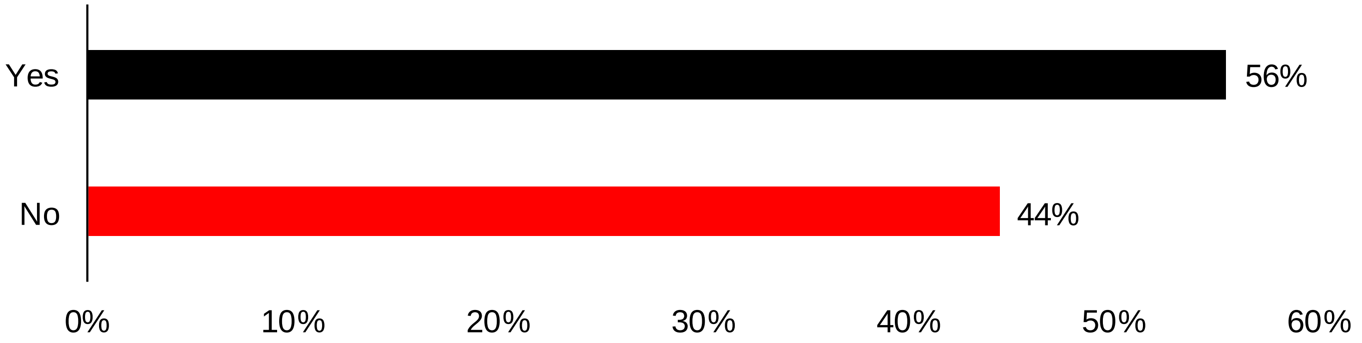
New challenges and priorities

In February 2020, Covid-19 spread throughout Italy and Europe. A few days later, lockdown and social distancing measures drastically changed today's life. Home became our entire world where we had to combine work, school, child and elderly people's care, fitness and leisure. Spending so many time at home gave us the possibility to rethink at our personal space and at the need to find a better balance between work and personal sphere.

We all got the chance to test the comfort of our houses, the available technology and the flexibility of the spaces.

Covid-19 pandemic has proven to be an accelerator of change and transformation for the whole real estate sector. The residential market is the most significant part of it. Some changes in the working behaviour are likely to endure beyond the pandemic, resulting in higher levels of remote working. A greater use of remote learning in tertiary education is likely in the short-term, as campus facilities adapt to social distancing requirements and students study from their homes. A transformation is expected both in the time we spend at home and in the way we see our places.

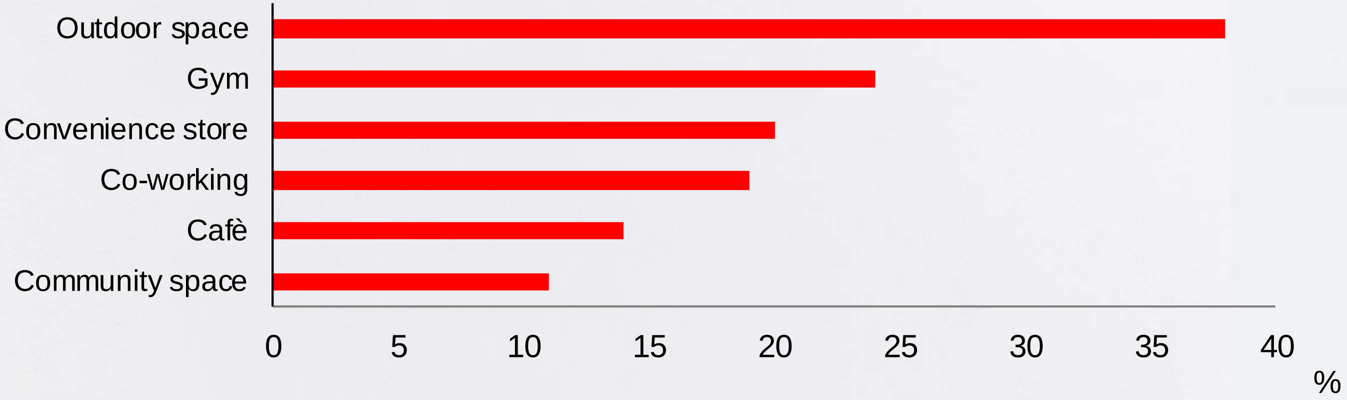
Given your living experience during Covid-19, would you now make adjustments to your current home?



Demographic changes and urbanization are not forecasted to invert their trend. In contrast to global growth, Europe's population is expected to decline in the next 10 years; over the same period, all European countries will have an ageing population with an average age for the continent increasing to 45.1 years. Although there has been some speculation that the impact of Covid-19 could be a slowdown or a reversal of urbanization, this megatrend will continue in the long-term; people will continue to move to the main cities looking for opportunities for work, study and socialization.

Over the next 10 years, millennials (people born between 1981 and 1996) will enter the peak household formation and home-buying age. Generational changes and different lifestyles, higher job mobility and income insecurity characterise the new generation and their choices. The growing urbanization, the shortage of natural resources and the attention to environmental factors imply a growing demand for technology and sustainability.

Given your living conditions during the lockdown, what local amenities (including those provided in the building for apartment blocks) would you look for in your next home?



By 2019, the share of EU-27 households with internet access had risen to 90% (Italy 85%), some percentage points higher than in 2009 (64%). Broadband internet access was used by 88% of the households, +33bps higher than in 2009.
Source: Eurostat

The old Italian residential stock does not match the new demand for services and amenities, opening the way to new living sectors and to a demand shift towards the rental market. However, to meet the demand needs and gain a competitive edge with respect to the traditional residential sector, new living products will have to be focused on services and flexibility in order to facilitate and adapt to the multiplicity of purposes they must meet. Considering this, JLL challenged its employees to take a survey about their homes to understand what changes the confinement led to, and which ones will remain in the future.

What are the 3 most immediate changes you would make to your current home/living situation?

- 44% interior design
- 17% modernise outdoor
- 15% improve broadband
- 15% extension
- 9% retrofit for energy efficiency

*Too much **noise** was the most widespread environmental issue for people living in the EU. The amount of people who reported **pollution**, **grime** and other **environmental problems** was 15%.*
Source: Eurostat

Top 3 factors (extremely or very important for the respondents):

- Natural light 97%
- Broadband speed 97%
- Personal outdoor space 92%

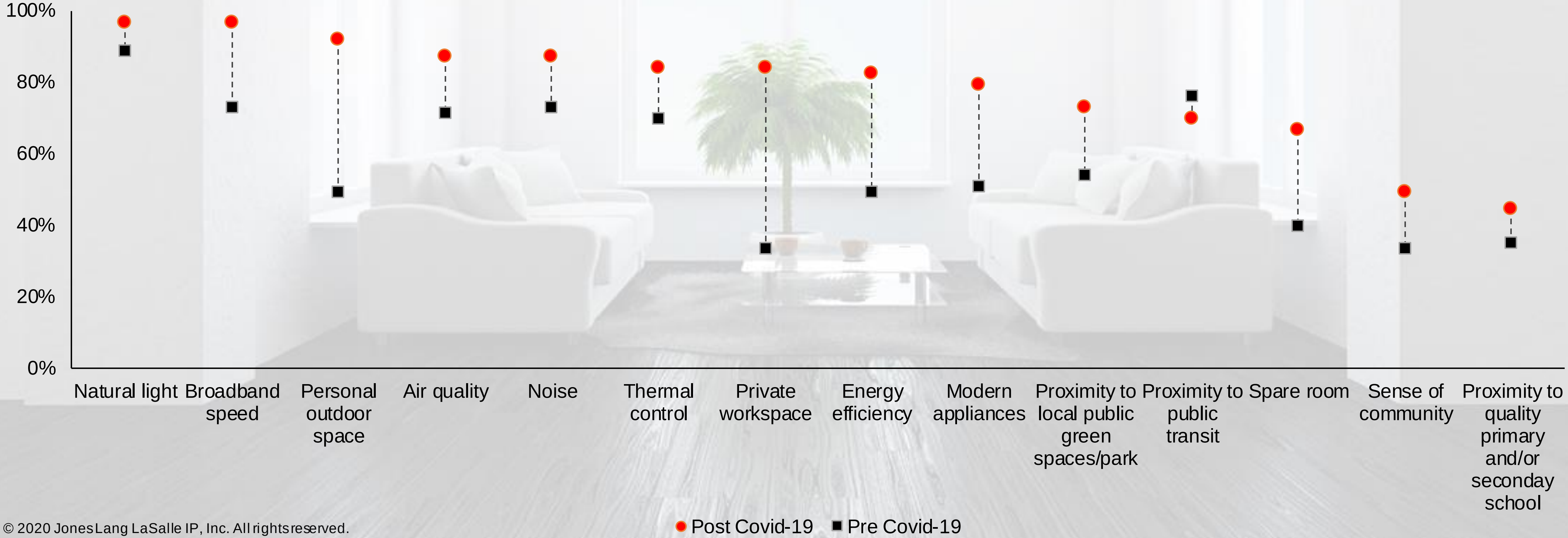
Top 3 growing factors:

- Private workspace +51pps
- Personal outdoor space +43pps
- Energy efficiency +33pps

Only 1 factor reduced in importance:

- Proximity to public transport -6pps

How important would the following aspects be if you were looking for a new house?



The most important factors before, during and after the pandemic periods

Average rating above 3.5 (from 0 – “not at all important” – to 5 – “extremely important”)

Natural light

Air quality

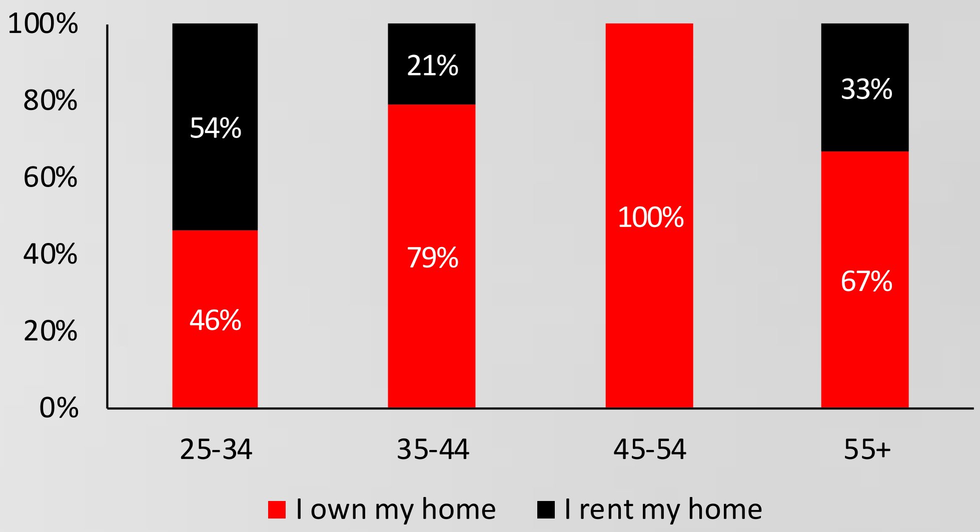
Thermal control

Broadband speed

Noise

Proximity to public transit

Ages vs tenure



More than half of the population in each EU Member State lived in ***owner-occupied dwellings*** *in 2018, ranging from 51.4% in Germany up to 96.4% in Romania. In Italy, the proportion of people who live in owned dwellings is 72.4%.*

Source: Eurostat

In EU-27, 19.4% of the urban population was living in ***overcrowded house*** *in 2019, meaning they did not have the number of rooms appropriate to the size of the household (Italy 30.7% in 2018).*

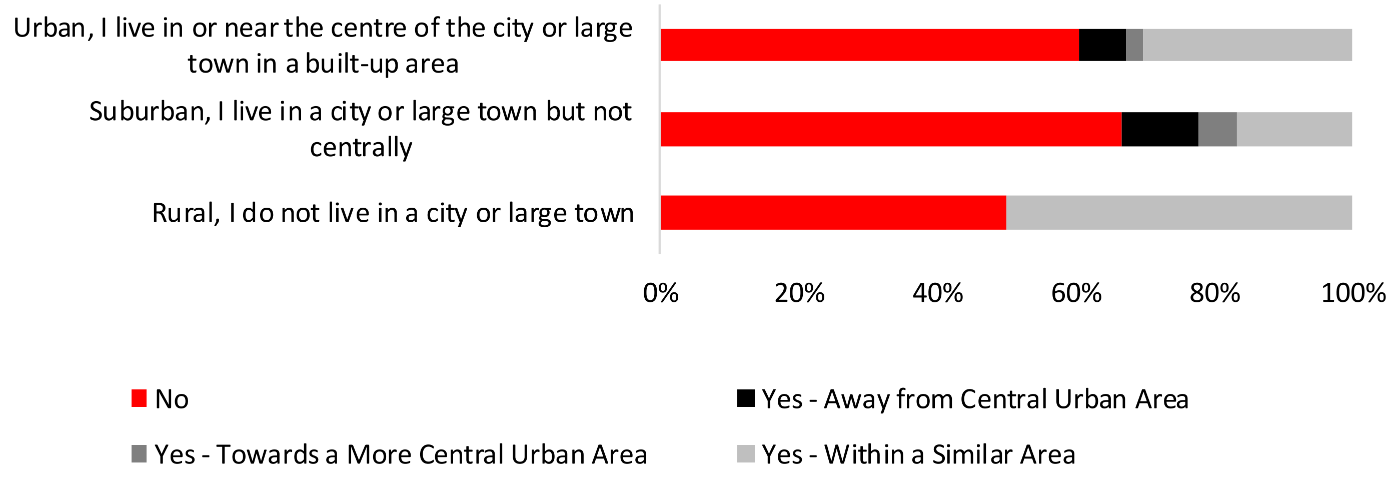
Source: Eurostat

Change house, but not the location

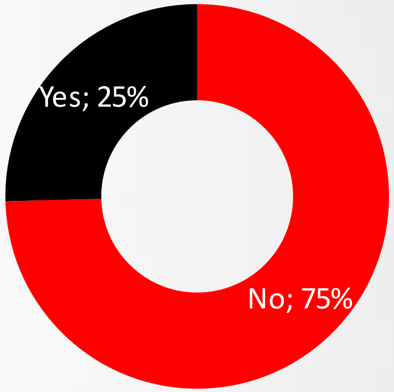
38% of the Italian respondents would move home as a consequence of their living experience during the pandemic whereas before it, only 25% wanted to move. 10% stated they moved since lockdown.

The pandemic has highlighted some needs for renovation and changes in our homes, but it has not affected our preference about where to live. 27% would like to move in a similar area and only the 8% wants to leave the city centre, confirming that the pandemic has not affected the globalization and urbanization trends. 30% of respondents who live in or near the city centre would like to move within the same area, while those living outside the city centre want to remain in the same area in the 17% of cases. Rural locations see the highest percentage of those who would like to move home, but also of those who want to stay in the same location.

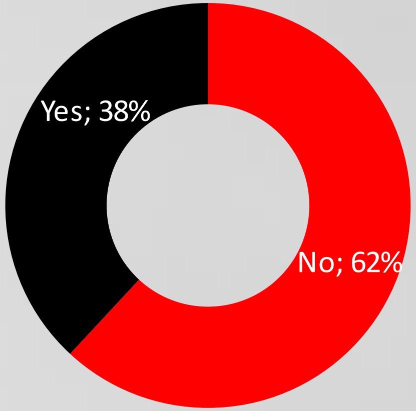
As a direct result of your living experience during Covid-19, would you move home within the next two years?

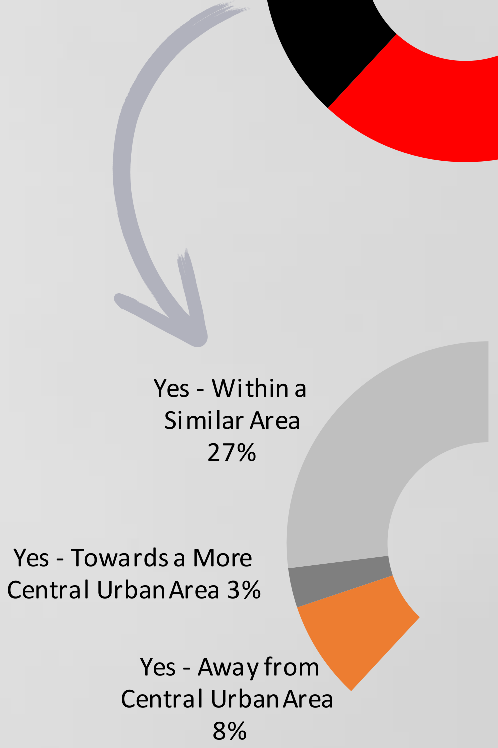


Were you already looking to move home pre-Covid-19?



As a direct result of your living experience during Covid-19, would you move home within the next two years?





By 2050, more than two-third of the world will live in ***urban areas*** *while they are now 56.2% of the total population. In Italy, 8 out of 10 people will live in an urban area.*
Source: United Nations

Remote and flexible working

During the pandemic, many employees were forced to work from home, some for the first time. Some companies had to quickly provide employees with support and technology tools to maintain business continuity. For some industries, remote working will probably last after the pandemic even if offices will remain a fundamental part of the corporate culture. The office space still has a pivotal role to play in facilitating essential face-to-face activities that are not easily replicable online.

Working remotely is challenging and requires major adjustments to be efficient in the long term. 52% of the employees who worked from home during the pandemic did not feel so productive at home (JLL Human Performance Survey, May 2020).

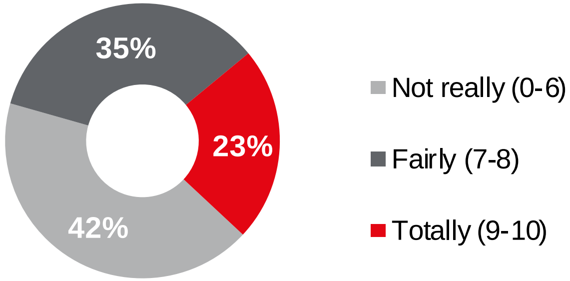
Performance in the future will be about finding the right mix between working remotely and flexibly and having access to outstanding offices.

In terms of home design and organization, the main focus is to minimize distractions, adapt the space for work calls and create a comfortable workstation.

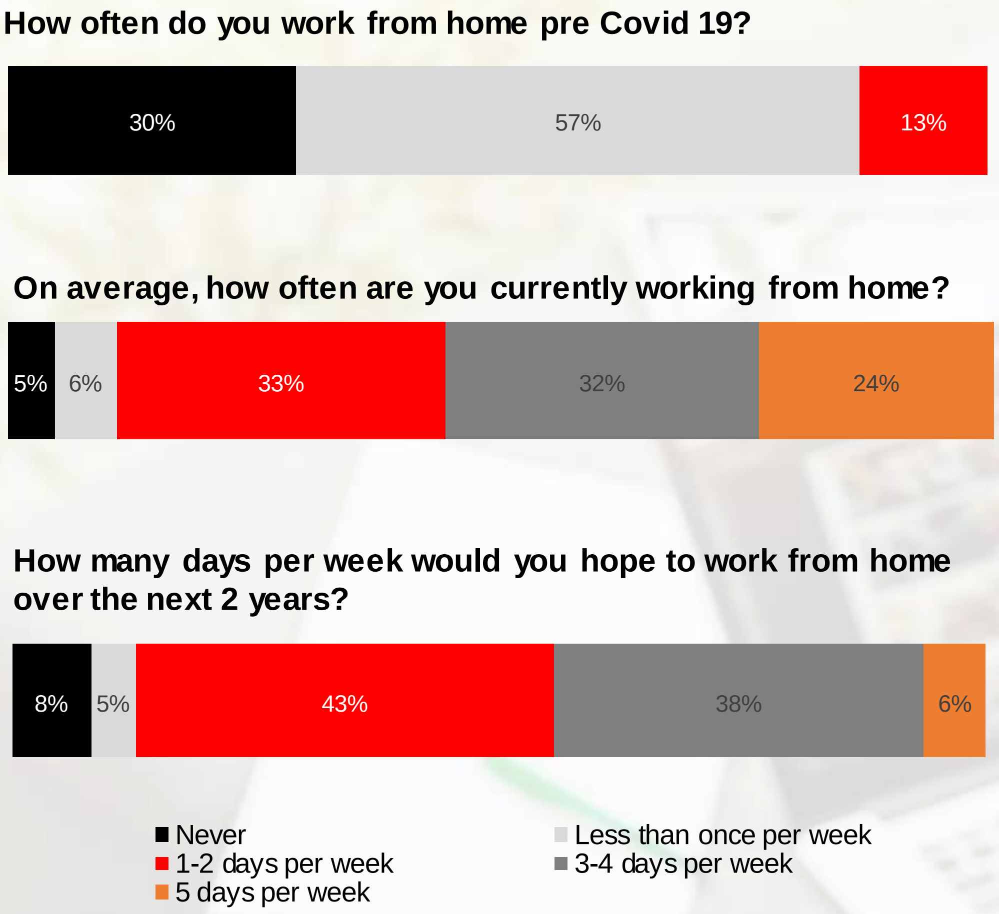
What extent did you miss working from the office?

58%

Fairly Missing + Totally Missing



Source: JLL Human Performance Survey, May 2020

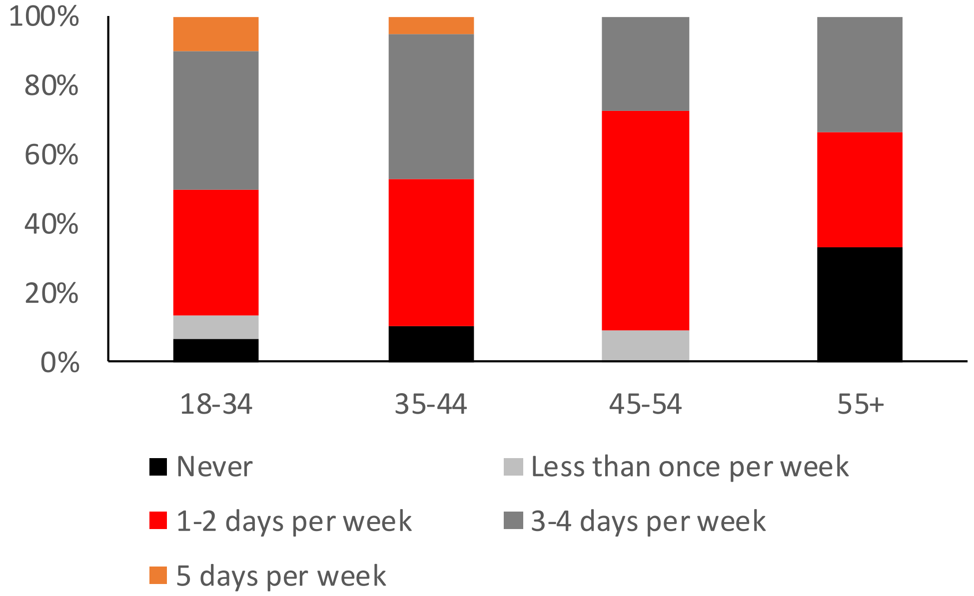


- 30% of the participants did not work from home any day of the week before the pandemic
- 33% is currently working from home 1 or 2 days per week
- 43% would like to work from home 1 or 2 days per week even after the pandemic

*In 2019, 5.4% of employed persons in the European Union who were aged 15-64, **usually worked from home**. The range in EU varies from Bulgaria (0.5%) to Netherlands and Finland (14.1%). Italy stands at 3.6%. Source: Eurostat*

The results reflect a clear preference for remote working by 35-44 and 45-54 age groups: 88% would like to work from home at least 1 day per week. Younger generations are almost aligned (86%), while older ones prioritise the presence in the office: more than 30% of respondents aged 55+ would like to work only in the office.

How many days per week would you hope to work from home over the next 2 years?



Missing most about office

54% Human interactions, socializing with my colleagues

31% A professional environment supporting access to everything I need

29% Collective face to-face-work, that favours common understanding

Top benefits of working from home

49% Less or no commute

45% Flexible hours

29% Enhanced work-life balance

Source: JLL Human Performance Survey, May 2020

Key findings

Changing demand might accelerate sector evolution

Until now, the residential market looks only partially affected by Covid-19 pandemic. Transactions have slowed down while prices and rents remained almost stable. For the next months, the severity of the impact depends on:

- Duration of virus and health concerns
- Duration and size of fiscal stimulus
- Pace and nature of economic recovery

Long term demand for the residential sector remains strong thanks to:

- Continued tenure shifts towards rental market
- Urbanization and socio demographic changes
- Supply/demand imbalances

What's next?

Refurbishments and design amendments

High quality products which reflects wellbeing and sustainability concerns

Adoption of digital solutions and tech investments

New living sectors (multifamily, co-living, senior housing)

Focus on services, communal areas and amenity space

Multiplicity of purposes

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