Adaptive Spaces

Cross-Generational Attitudes That Will Transform the Built Environment

REPORT

Germany
Live-Work-Shop
Report 2023

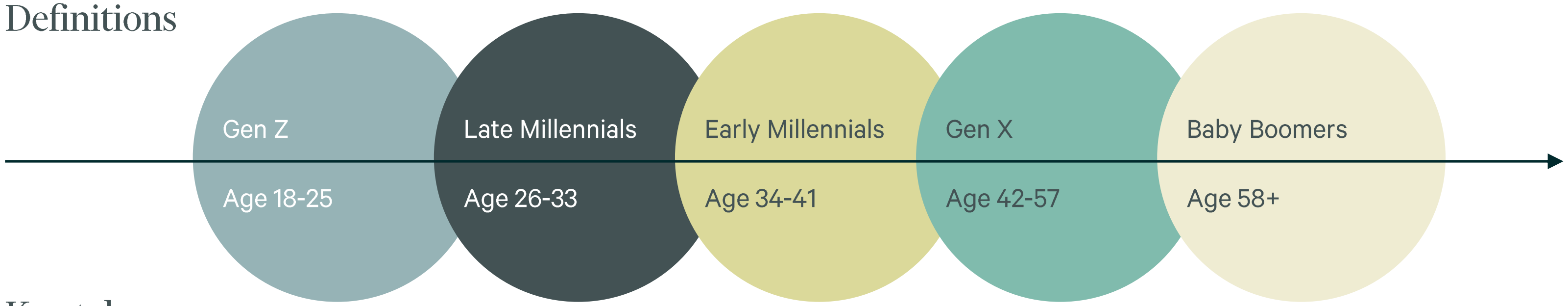
CBRE RESEARCH
MARCH 2023

Executive Summary

In the first survey of its kind, CBRE polled more than 20,000 people across the globe and across generations – from baby boomers to Gen Zers – to collate their views on how they will live, work and shop in the future, and how this will impact the real estate they use.

This report summarizes the findings from the 1,080 respondents resident in Germany and included in the poll. Cross-generational behaviors were also studied in the survey.

Definitions



Key takeaways:

Live

- Of the respondents in Germany, 28% intend move home and live elsewhere in the next two years, with the majority preferring to rent rather than buy. Middle-aged cohorts (millennials & Gen X) are the keenest prospective buyers.
- The determinants in selecting a home come down to money rather than infrastructure and commute time.

Work

- Most people in Germany prefer hybrid working arrangements but are still keen to work from the office, with 65% of respondents wanting a three-day week in the office and a high proportion of 26% preferring a full working week in the office.
- Exchanging ideas and information with colleagues is the most important reason for white collar workers wanting to work in the office.

Shop

- In a European and global comparison, consumers in Germany display a greater affinity for shopping online, though preference is generally given to purchasing in a physical store rather than the e-commerce option.
- Omnichannel purchasing is less popular in Germany – if orders are placed online, preference is for processing these orders without bricks-and-mortar stores.
- People in Germany who are less confident about their financial situation focus first on reducing their food bills.

01

Live

01
LIVE

People in Germany prefer renting a home to buying

Late millennials are the keenest potential buyers

- Of the respondents in Germany, 28% intend to move in the next two years, up from 23% who actually did relocate in the last two years. Restrictions caused by the COVID-19 pandemic in recent years, on the one hand, and the upbeat trend on the local labour market in the wake of the pandemic, on the other, are encouraging more people to plan for the future.
- Of those planning to move, most of them, specifically 63%, would consider renting a property, which is clearly above the global (39%) and European (44%) averages. This propensity has its roots in the fact that the German housing market is traditionally characterized by a high percentage of rented housing and a comparatively low home ownership rate.
- The middle-aged cohorts, meaning late millennials (aged 26-33) and early millennials (aged 34-41), each 43% respectively, showed the greatest willingness to purchase, with Gen X (aged 42-57) hot on their heels at 42%. By contrast, the proportion of potential Gen Z (aged 18-25) buyers was significantly lower at 28%, along with baby boomer groups (aged 58+) at 19%. These cohorts have either not yet reached the phase of ownership or have already gone past it, as opposed to prospective buyers that include young families and professionals with relatively sound financial stability and the ability to buy against the backdrop of rising mortgage interest rates in the cities.

Figure 1: Relocations in the past two years in Germany

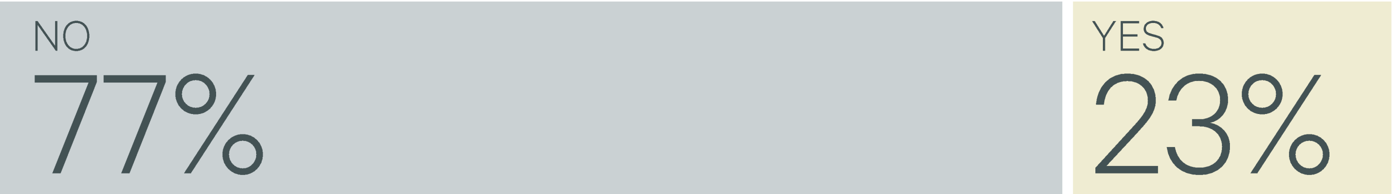
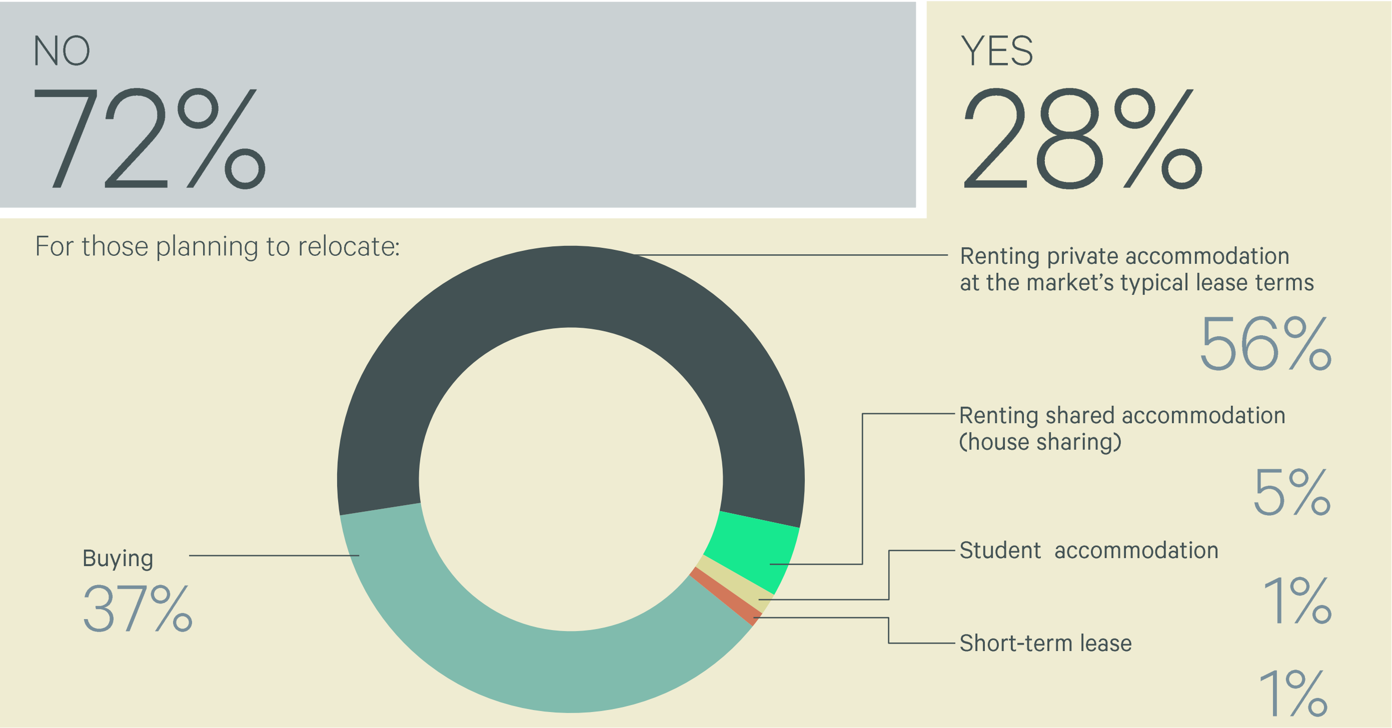


Figure 2: People planning to move house in the next two years in Germany



Source: CBRE Research, 2023.

01
LIVE

Gen Z and late millennials are especially keen on moving; Germans show a greater preference for more remote locations

- Almost half of the respondents in the Gen Z (48%) and late millennial (45%) categories are planning to move in the next two years. Reasons include the start to vocational training or academic studies, embarking on a career, or a growing family.
- In a European comparison, however, the proportion of this group is below average, which stands in contrast to millennials, Gen X and baby boomers whose plans to move exceed the average.
- All generations displayed a greater preference for more remote locations, especially Gen Z and early millennials.
- Across the generations, early millennials are the happiest to move to this kind of location, possibly for reasons of affordability as larger homes are needed to accommodate a growing family and/or they want to move closer to their families who are living in suburban locations.
- Furthermore, a comparison of all generations shows that baby boomers place greater emphasis on locations closer to city centers, possibly motivated by pragmatism and the desire to benefit from the amenities of urban centers in old age.

Figure 3: Respondents planning to move

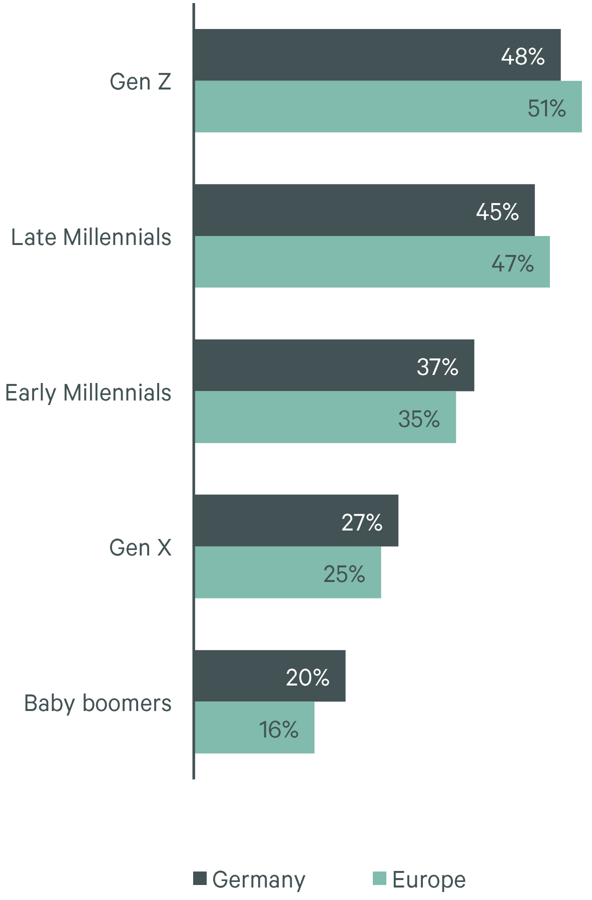
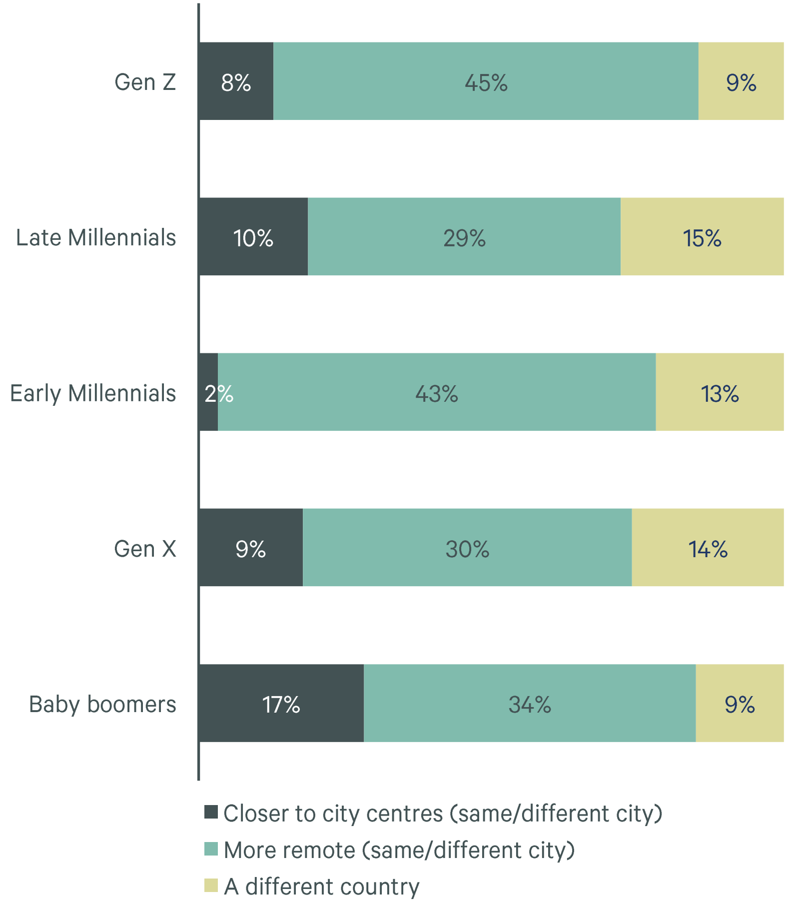


Figure 4: Preferred location of German respondents



Source: CBRE Research, 2023.

01
LIVE

People living in Germany, Finland and Denmark are more likely to want to rent

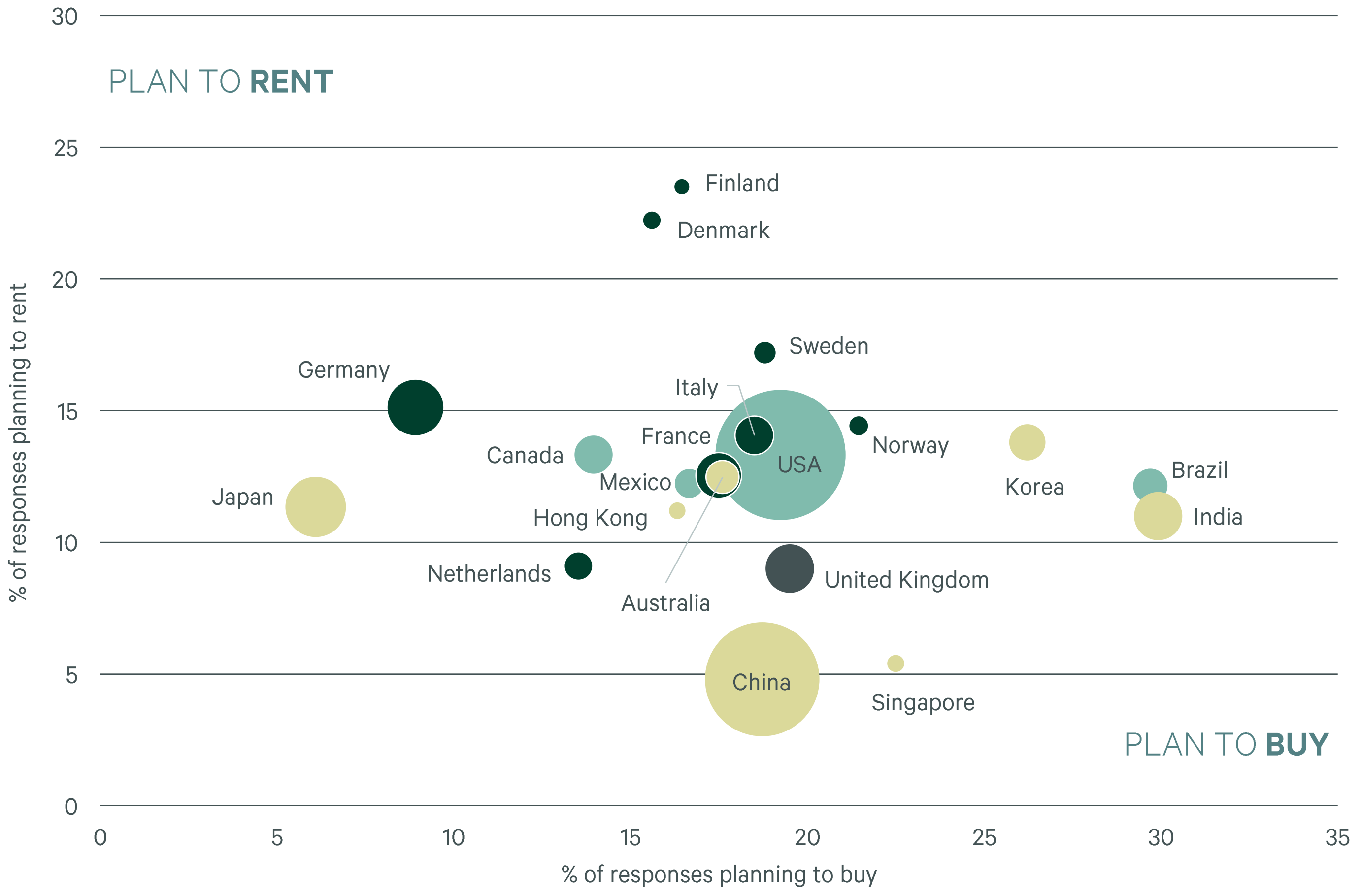
Most people in most markets plan to buy – renting is an exception – but NOT in Germany

– Here, people planning to move home in the next few years much prefer to rent. This proclivity was even more pronounced in the northern European countries of Finland and Denmark.

– On a global scale, the predominant preference is to buy rather than to rent, with Indian, Brazilian and Korean respondents leading the way in wanting to purchase their homes.

– Germany’s large economy, the lack of stigma attached to renting, and the very high standard of rental housing stock continues to bolster robust demand for investment in multi-family properties.

Figure 5: Buying versus renting for those planning to move house (by market)



Source: CBRE Research, 2023.

The size of the circle equates to the size of gross domestic product

01
LIVE

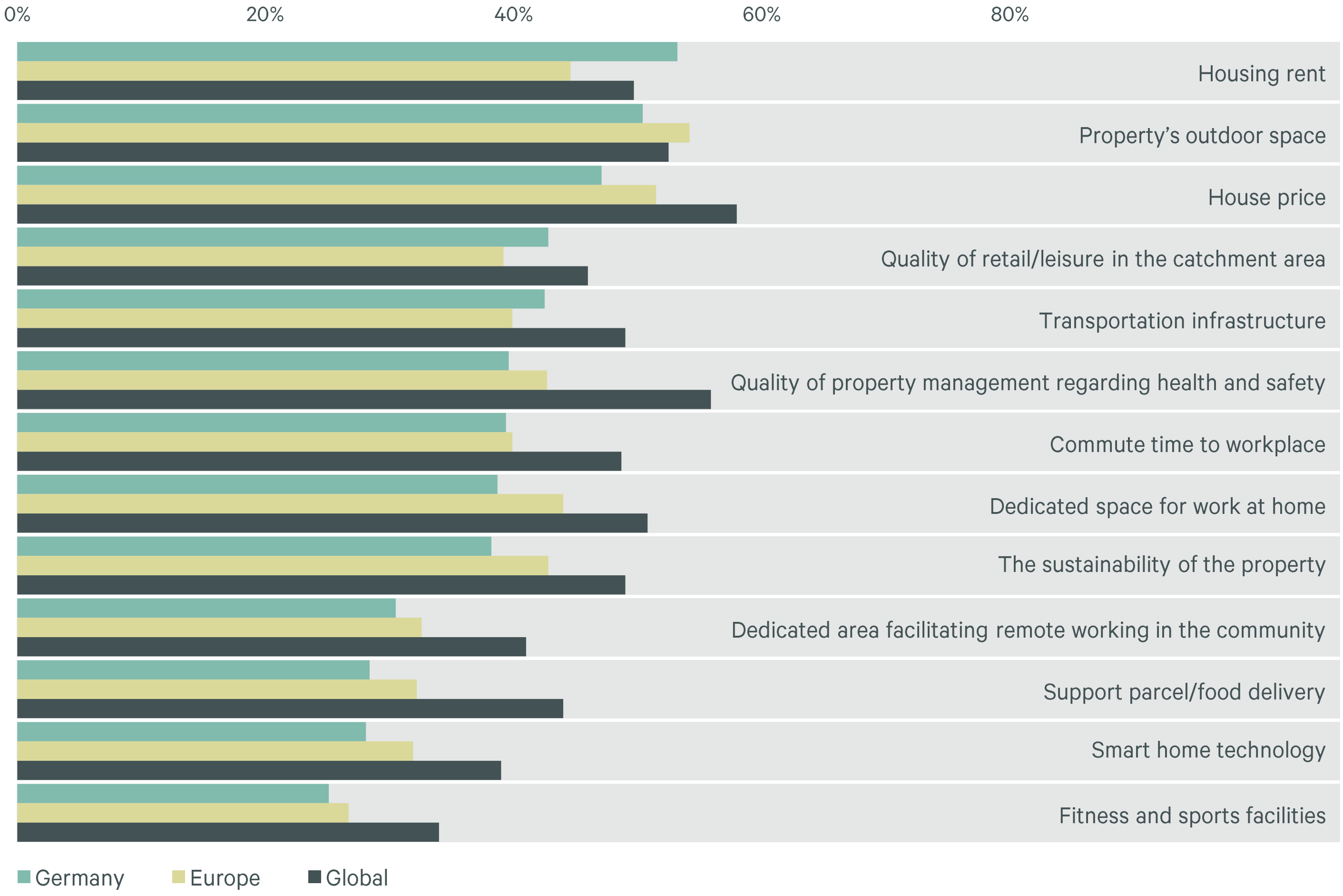
Cost of renting as most important factor

Monetary aspects weigh more heavily in choosing a home than infrastructure and commute time

– Rental price tops the list of considerations in selecting a home (53%). Based on an international comparison, above-average importance was attached to this aspect in Germany. The structure of the German housing market is a further factor that elevates rent above property prices in terms of what is important. This aspect also plays a greater role on an international scale.

– While a property's outdoor space is also highly valued in Germany (50%), even greater importance was attached to this criterion at a European and global level. All other aspects were given a higher rating, both on a European and on a global scale, in comparison with Germany. Generally speaking, German consumers appear to be less demanding when choosing a home.

Figure 6: Key home selection criteria since the onset of the pandemic in Germany



Source: CBRE Research, 2023.

01
LIVE

Actions for landlords and investors

Design residential property for rent with the occupants in mind

Germany ranks as Europe's top market for rental housing investment and therefore continues to offer the most attractive opportunities. Developers and investors would also do well to consider building co-living facilities as this asset class is likely to reap greater benefits from new net demand, generated by Gen Z leaving their parental home, for instance.

Recognize that pricing matters most

Since the price of renting a flat or of buying a house feature respectively as two of the three most important criteria when selecting a home, investors need to factor in the impact of the environment on consumer sentiment: a weaker economy, high inflation and general uncertainty, compounded by rising mortgage rates and price volatility all weigh against a firm intention to move.

Even more so than in the past, the focus in Germany is on creating affordable housing – whether apartments for low income families, student halls of residence, barrier-free accommodation for senior citizens and people with disabilities, or even homes for co-living. This applies both to preferred cities and prospering growth markets in peripheral areas. This approach can be realised through accelerating innovative planning and building, as well as ramping up the serial and modular construction of housing.

02

Work

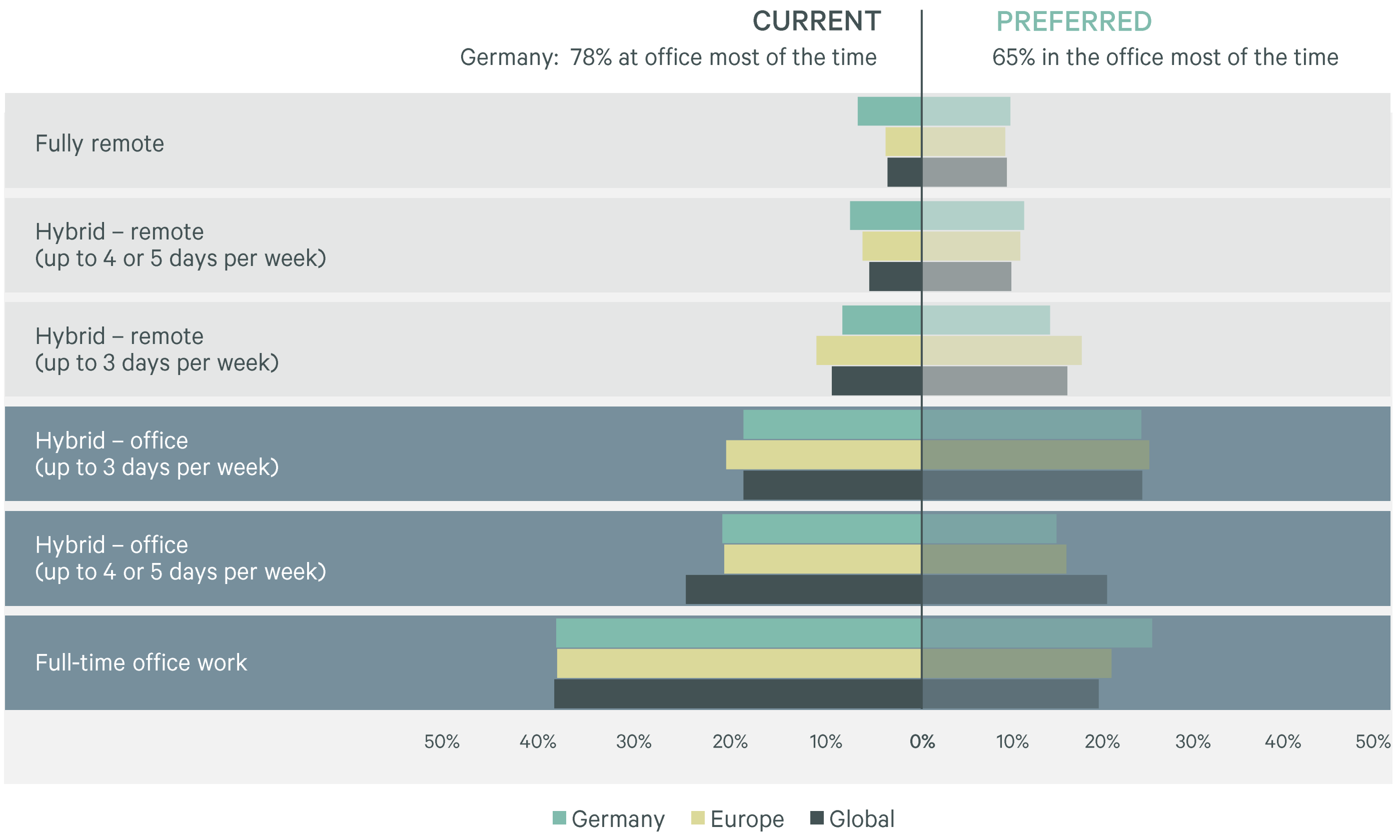
02
WORK

Strong preference for hybrid working models, but also high demand for full-time office work

Hybrid work preferred – only little interest in going fully remote

- In Germany, 38% of respondents spend their working week in the office, which corresponds to the Global (38%) and European (39%) averages. This percentage does not, however, reflect their preferences.
- German employees prefer hybrid work arrangements, with a mere 10% (+3%-points compared with the current status) of local respondents keen on working fully remotely – virtually on par with the Global and European average of 9%.
- Although almost 78% of respondents currently spend a minimum of three days a week in the office, only 65% prefer this arrangement.
- Germany has a higher proportion of employees (26%) wanting to work full time in the office compared to their Global (20%) and European (21%) counterparts. This is essentially attributable to shorter commutes in an international comparison, although the survey also indicates that German participants would want to spend less time commuting in the future (cf. Figure 7).

Figure 7: Time spent between working in the office and from home, both current and preferred



Source: CBRE Research, 2023.

02
WORK

Drivers of different work models

- German office workers view collaborating directly with colleagues as the most important reason for working in the office (31%), which significantly exceeds the comparable figures for Europe (27%) and Global (24%).
- The claim that the home environment does not offer the right conditions for office work achieved a similarly high level of consensus. The low proportion of ownership in Germany could play a role here based on the assumption that ownership is associated with more space compared with rented accommodation.
- From a technical standpoint, German consumers appear to be better equipped, compared with office workers in Europe and worldwide.
- From the standpoint of the German office workers surveyed, an argument in favor of mobile working is that they can perform their tasks well without being in the office (46%). Risk-related health considerations play less of an important role in Germany (17%) as well as in a European (26%) and a Global (22%) comparison.

Figure 8: Top four reasons for more office-based working

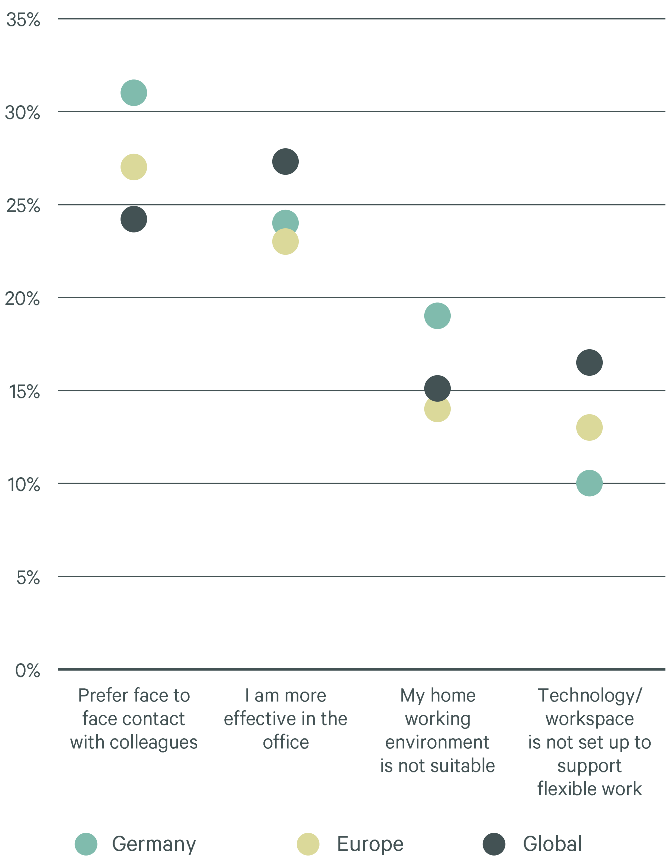
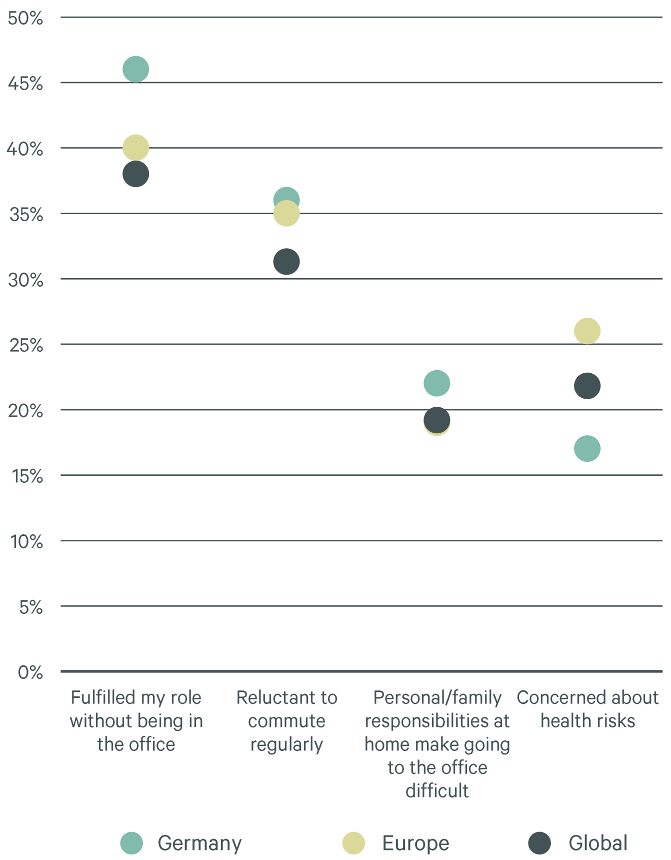


Figure 9: Top four reasons for more remote working



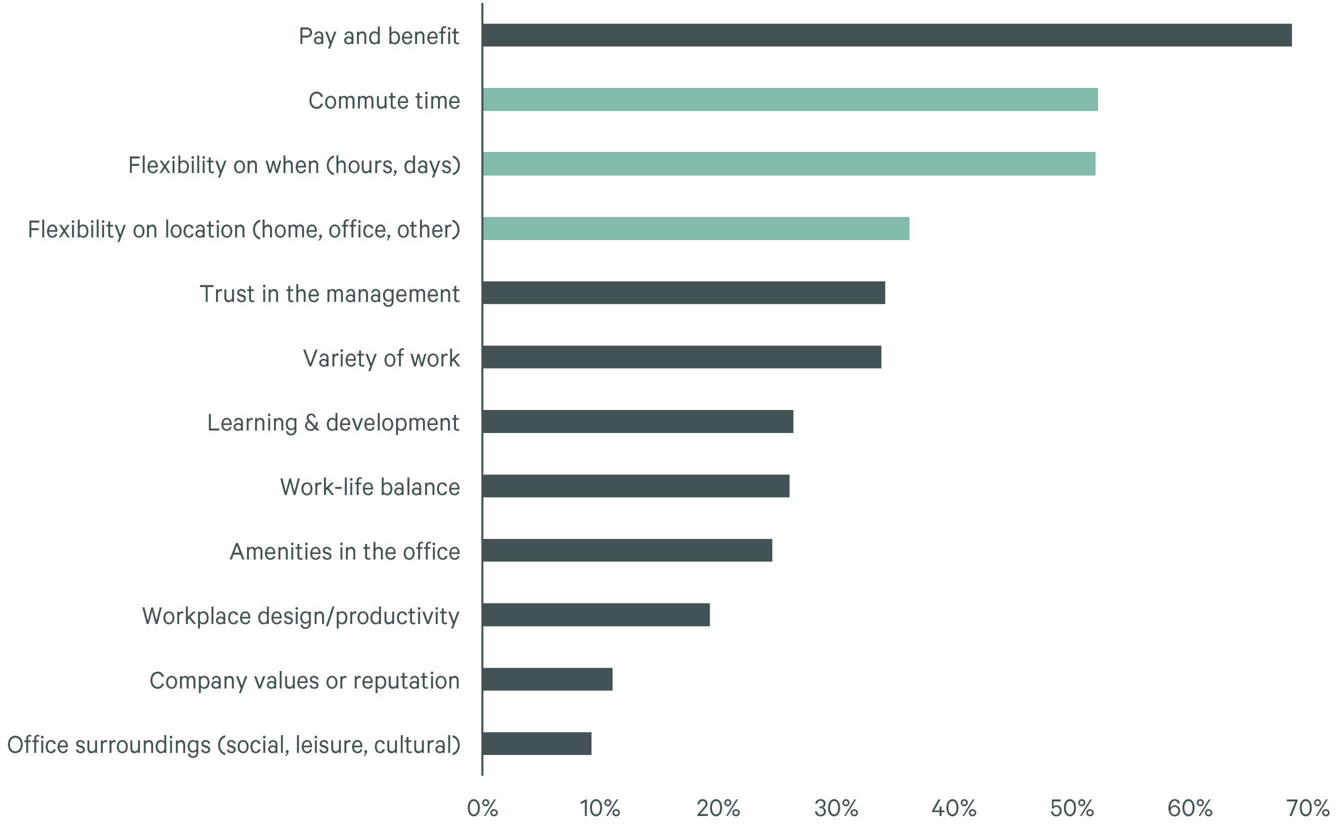
Source: CBRE Research, 2023.

02
WORK

Location and flexibility

- Pay and social benefits are viewed as an important criterion in assessing employment, both in Germany (69%) as well as in Europe (69%) and on a global scale (67%).
- Next in line come the criteria of job proximity and commute times, along with the flexibility offered by the company with regard to working hours and the workplace.
- A cross-generational comparison shows that commute time is attributed greater importance by respondents in older cohorts (Gen X & baby boomers) compared with representatives of younger generations (early and late millennials and Gen Z). The latter rate working time flexibility higher.
- Although other amenities and packages offered by the employer are also important, they play a more minor role compared with flexibility, accessibility and remuneration.

Figure 10: Parameter for assessing job opportunities



Source: CBRE Research, 2023.

02
WORK

Improved accessibility and superior technology conducive to greater office attendance

- Several categories come into play in terms of working environment specifics.
- Across all categories, access to public transport, shorter commutes and parking facilities were identified as key factors conducive to frequenting the office. While 35% of respondents in Germany currently need half an hour and more for the journey into work, 81% would prefer a commute of thirty minutes or less. By comparison, a higher percentage of Global and European workers would accept commutes of more than thirty minutes.
- German respondents also view superior technology as a feature that would attract them to the office. This category received the highest average score.
- In addition, space design, including private offices, space for socialising and in-office benefits such as free food and beverages, along with events, were also highly rated.

Figure 11: Desirable factors for more frequent office visits in Germany

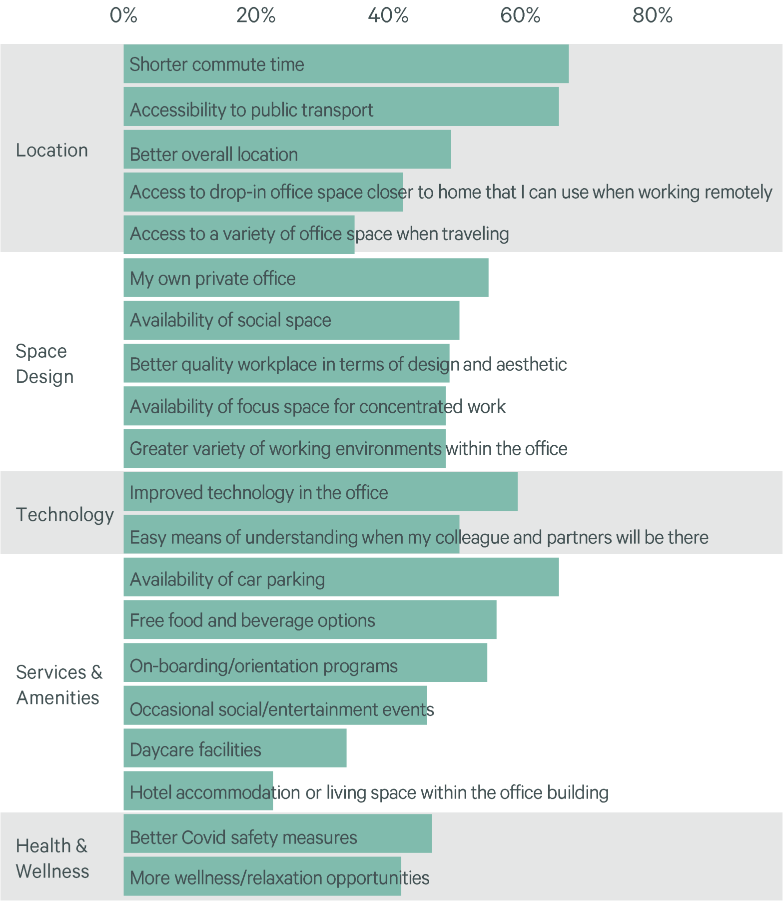
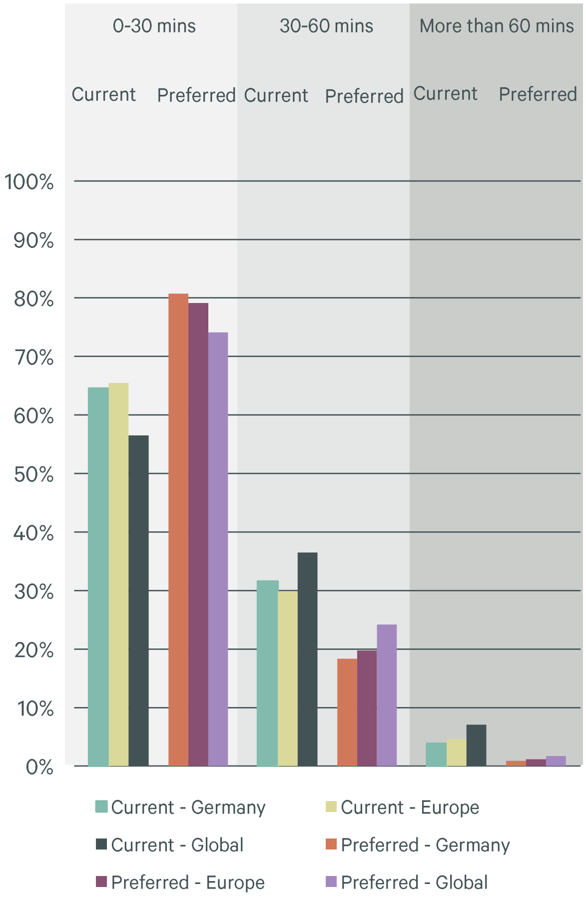


Figure 12: Time taken to travel for work



Source: CBRE Research, 2023.

02
WORK

Actions for landlords and occupiers

Acknowledge flexible working as a key trend

Approximately 75% of local respondents showed a preference for a hybrid workplace model or fully remote work in the future. Flexible working is therefore set to gain traction and will be embraced and embedded in a workplace strategy by multinational companies.

Adopt hub-and-spoke strategies to satisfy office demand

While preference is placed on hybrid working arrangements, a significantly high proportion of employees would choose to work in the office all or most of the time. Occupiers are advised to consider office strategies that respond to employees seeking convenient access to office space on an ad-hoc basis, while generally maintaining a lower headcount-to-desk ratio.

Reducing commute time and improving accessibility will enhance office appeal

Focusing on buildings with proximity to public transport and/or parking facilities will serve investors well. If office properties do not have these attributes, developing transport connections to ease the burden on occupiers/employees may be an option. Screening easily accessible, desirable micro-market locations for office and residential investment opportunities will pay off.

Occupiers need to consider employee commuter patterns in selecting a site, while understanding the challenges of longer commutes.

03

Shop

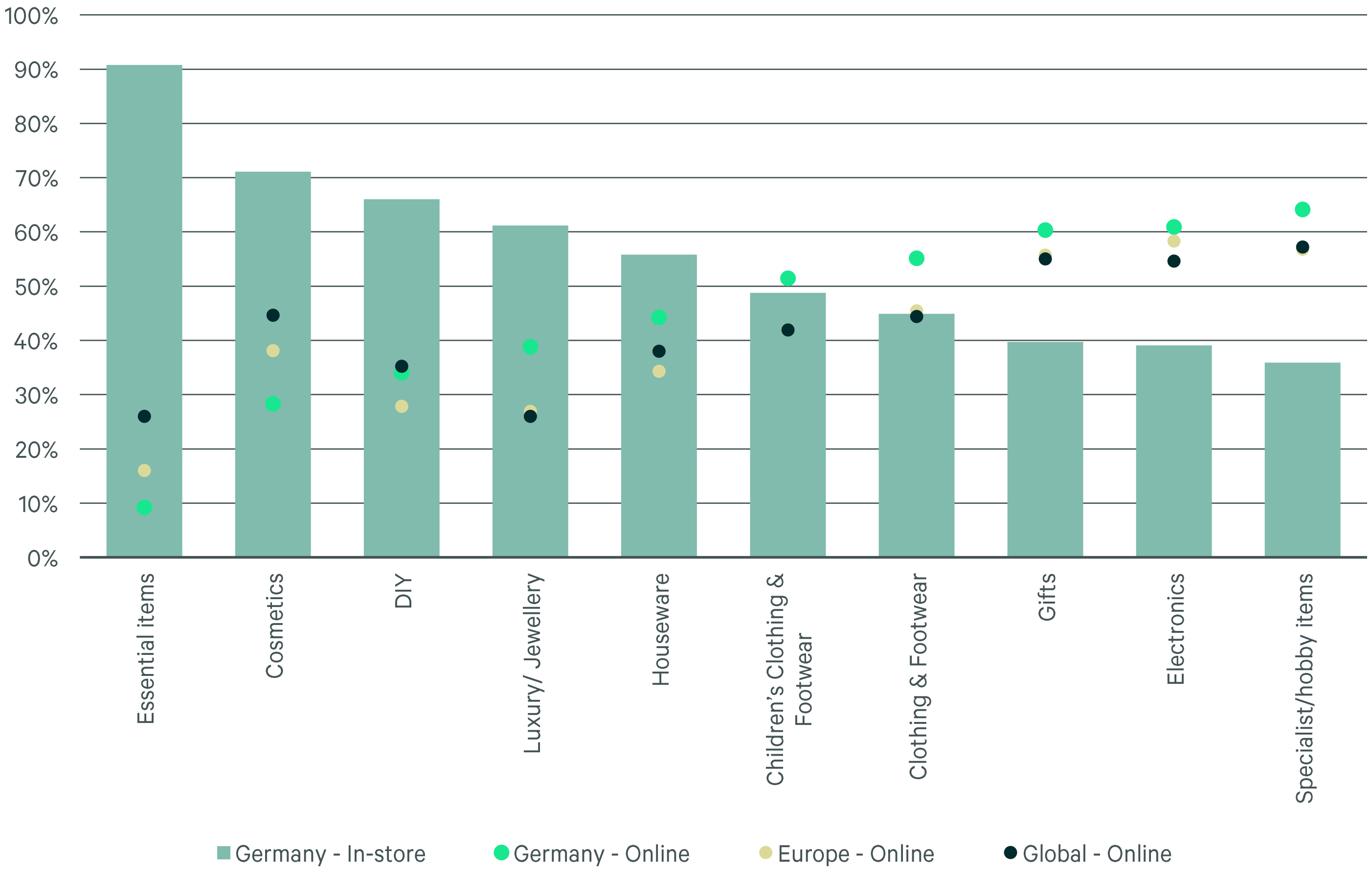
03
SHOP

Balanced ratio between online and in-store purchasing

In-store shopping still popular

- A survey conducted on German consumers to ascertain preferences between buying online and buying in a physical store, broken down into ten different product categories, revealed an even balance between the two options: With five product groups, preference was given to buying in physical stores while the other five tend to be bought online.
- From an overall standpoint, however, a survey across all the ten product categories revealed that purchasing in a physical store is still preferred to the e-commerce option.
- Compared with the responses on a global and European scale, German consumers are savvier with shopping online. The proportion of German consumers preferring to purchase online was higher in eight categories when measured against European consumers. In a global comparison, this was the case in seven product categories, with German consumers displaying greater online affinity.
- The fact that the comparison shows German consumers preferring to cover their short-term essentials through in-store purchasing is striking. This cohort focuses much more strongly on buying in local stores to cover their everyday needs and also when procuring cosmetics/skin and hair care products.

Figure 13: German consumers shopping preferences



Source: CBRE Research, 2023.

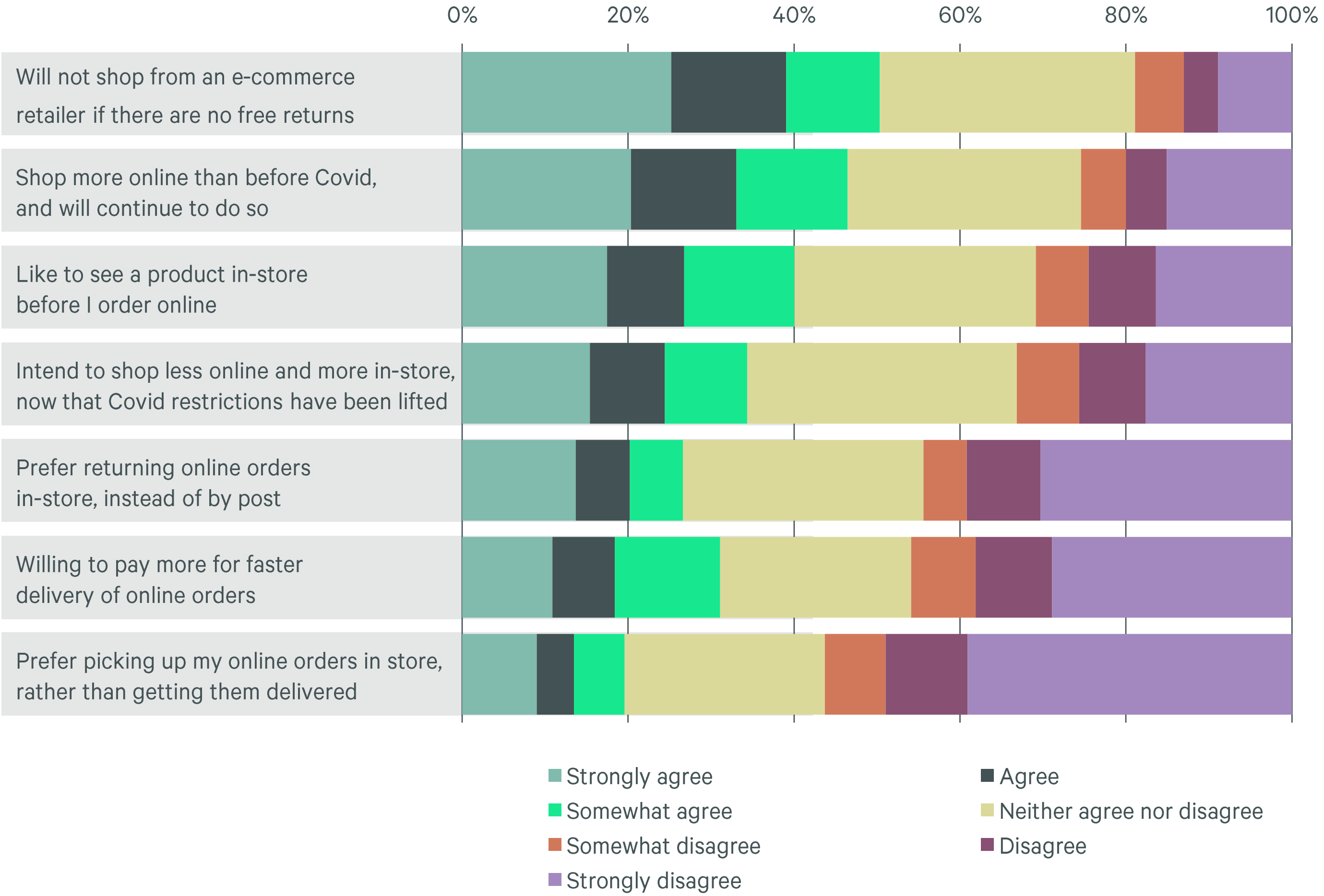
03
SHOP

If shopping online, then no holding back

Online boost from the pandemic less obvious

- Over 50% of German consumers consider free returns important when choosing to place orders online. This aspect features prominently in the opinion of German respondents but scored even higher with consumers at a global and European level, at 58% respectively.
- At the same time, German consumers are less willing to pay more for rapid delivery. With a 46% rejection rate, Germany considerably exceeds consumers in Europe (44%) and globally (38%)
- Only 40% of those surveyed in Germany declared that they would first like to view the product in-store before buying online. By comparison, this figure is very low (Global: 56%; Europe: 40%) and is likely to be the result of Germany's consumer-friendly, and uncomplicated legislation on the right to return.
- Returning an order placed online or collecting it from a store scored lower with German consumers. Only 27% of German consumers like the right to return in a store (Global: 46%; Europe: 43%) and only 20% are keen on collection (Global 31%; Europe: 27%).

Figure 14: Online shopping behaviour – how much do you agree with the following statements?



Source: CBRE Research, 2023.

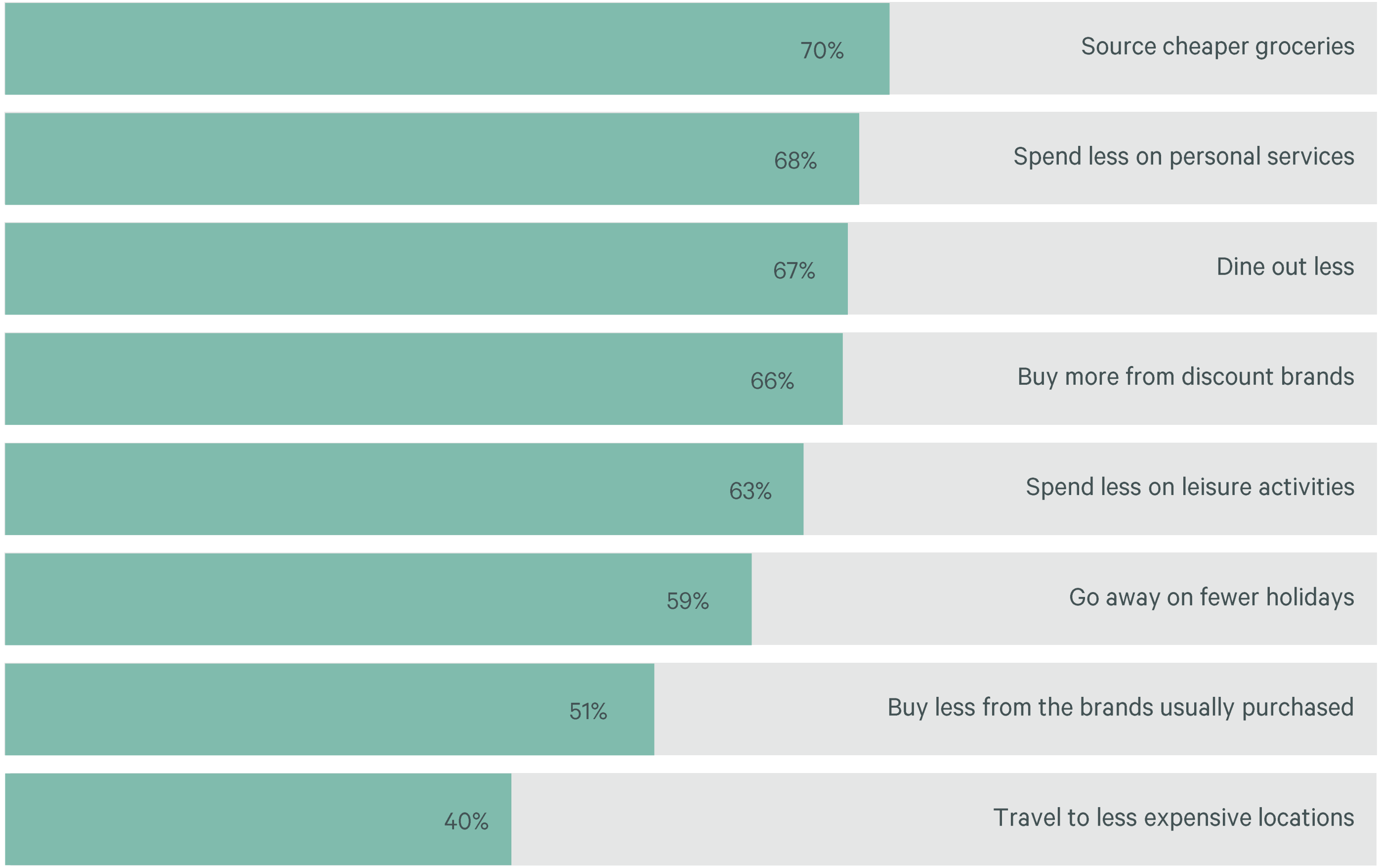
03
SHOP

Dented confidence in finances impact consumer spending

When people feel less confident about their personal finances they spend less on groceries.

- The survey revealed that German consumers are generally less optimistic about prospects for their own financial situation in the next twelve months. All in all, 45% tend more to pessimism compared with 27% who view the future with optimism. The more pessimistic attitude is therefore more prevalent in Germany than in Europe (40%) and on a worldwide scale (29%). The high percentage of consumer respondents who are particularly sceptical about the months ahead is particularly striking.
- When German consumers are concerned about their own financial situation, the initial response (70%) is to try and buy less expensive food. In this respect, Germany as the country where discounters were invented stands out compared with the regions of Europe (52%) and the world (51%).
- Irrespective of the individual income situation, saving on food is the preferred approach. There are nevertheless differences between the various generations: In the case of younger consumers (Gen Z & late millennials), buying cheaper food does not top the list.
- With consumers surveyed in Europe and on a global scale, the first thing they cut back on is dining out, which comes third with German consumers.

Figure 15: Spending habits when consumers are pessimistic about their financial situation



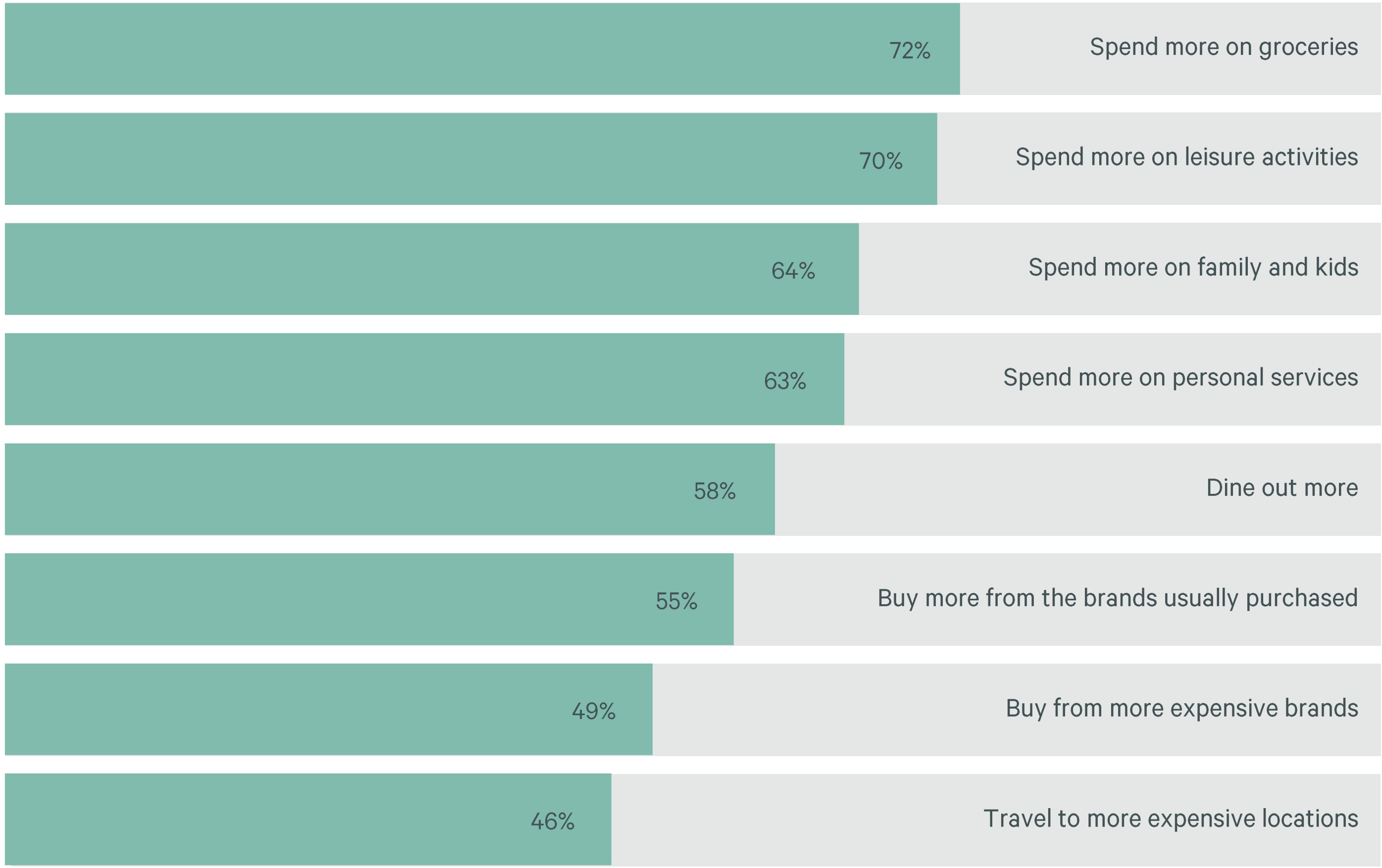
Source: CBRE Research, 2023.

03
SHOP

Most people want to spend more on groceries and leisure when their finances are healthy

- The majority of local consumers indicated that they would up their spending on groceries (72%) and/or leisure activities (70%) when they feel more financially secure. Splashing out on expensive trips and products ranked lowest, suggesting that pent-up demand for luxury products and travel also scores low. These findings were corroborated by European and global respondents.
- In this case as well, consumers from older generations proved willing to spend more on groceries, whereas this did not figure prominently with younger consumers (Gen Z & late millennials).
- The divergence in preferences also depends on the individual income situation. Consumers with high incomes were found to invest most frequently and more in activities with family and children compared with mid-range and low income households that showed less of a propensity.

Figure 16: Spending habits when consumers are confident in their personal finance situation



Source: CBRE Research, 2023.

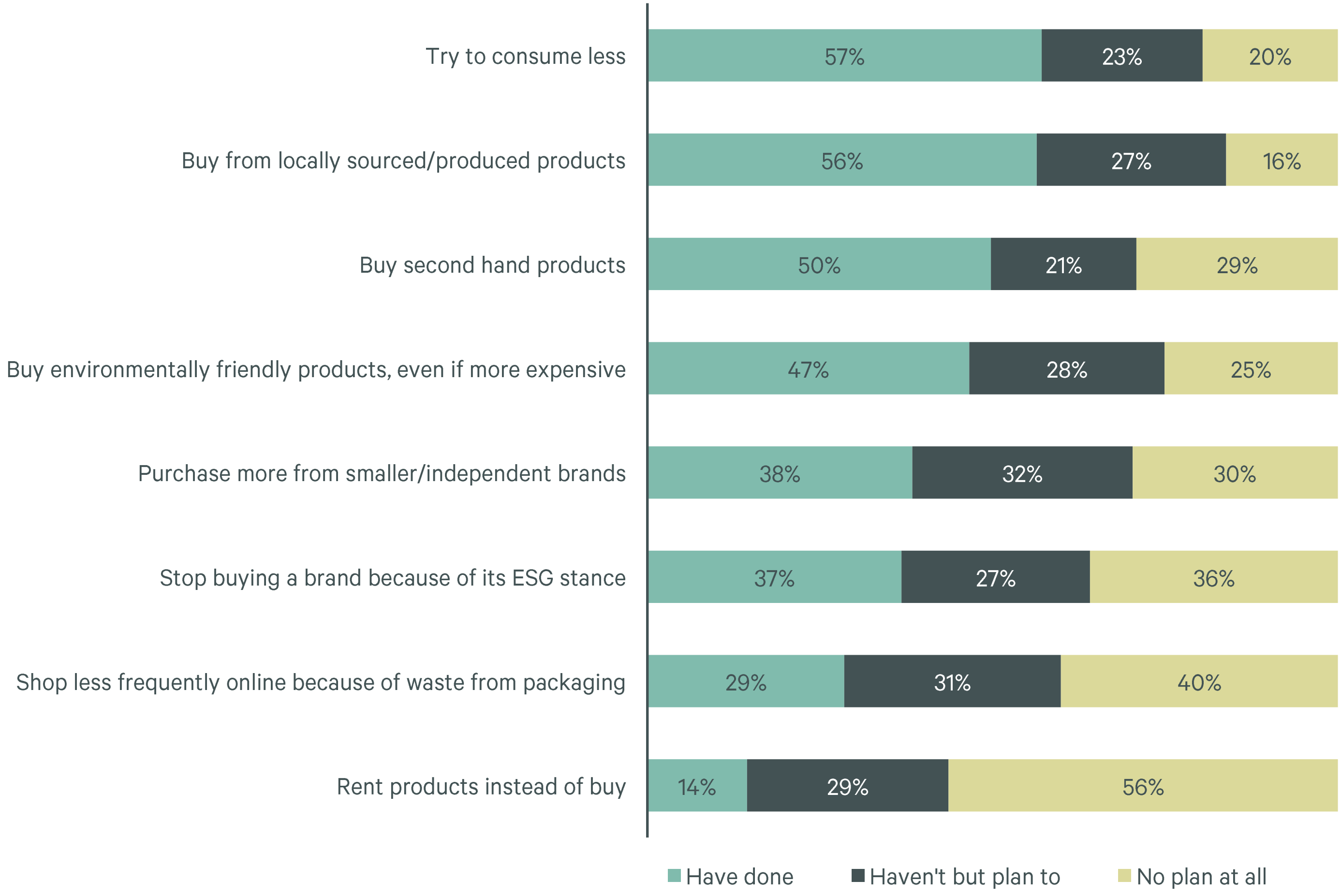
03
SHOP

Consumers are taking action to help the planet

Consumers are taking action by ...

- Most German consumers have translated concerns about the environment into their consumption habits.
- Over the past six months, 57% of consumers have tried to consume less, which suggests that they are being more selective, opting for higher quality and more durable products.
- More than half of German consumers have supported local retailers or producers by buying local produce or shopping at independent retailers. The logistics involved in transporting goods locally results in a lower carbon footprint than purchasing goods from overseas.
- German consumers are also buying more pre-loved items, facilitated by the emergence of platforms such as *Rebuy, Momax* or *Shpock*, or by proprietary product categories of established platforms such as *Zalando* that are enabling the purchase of second-hand goods.

Figure 17: Which of the following actions (if any) have you taken over the past six months?



Source: CBRE Research, 2023.

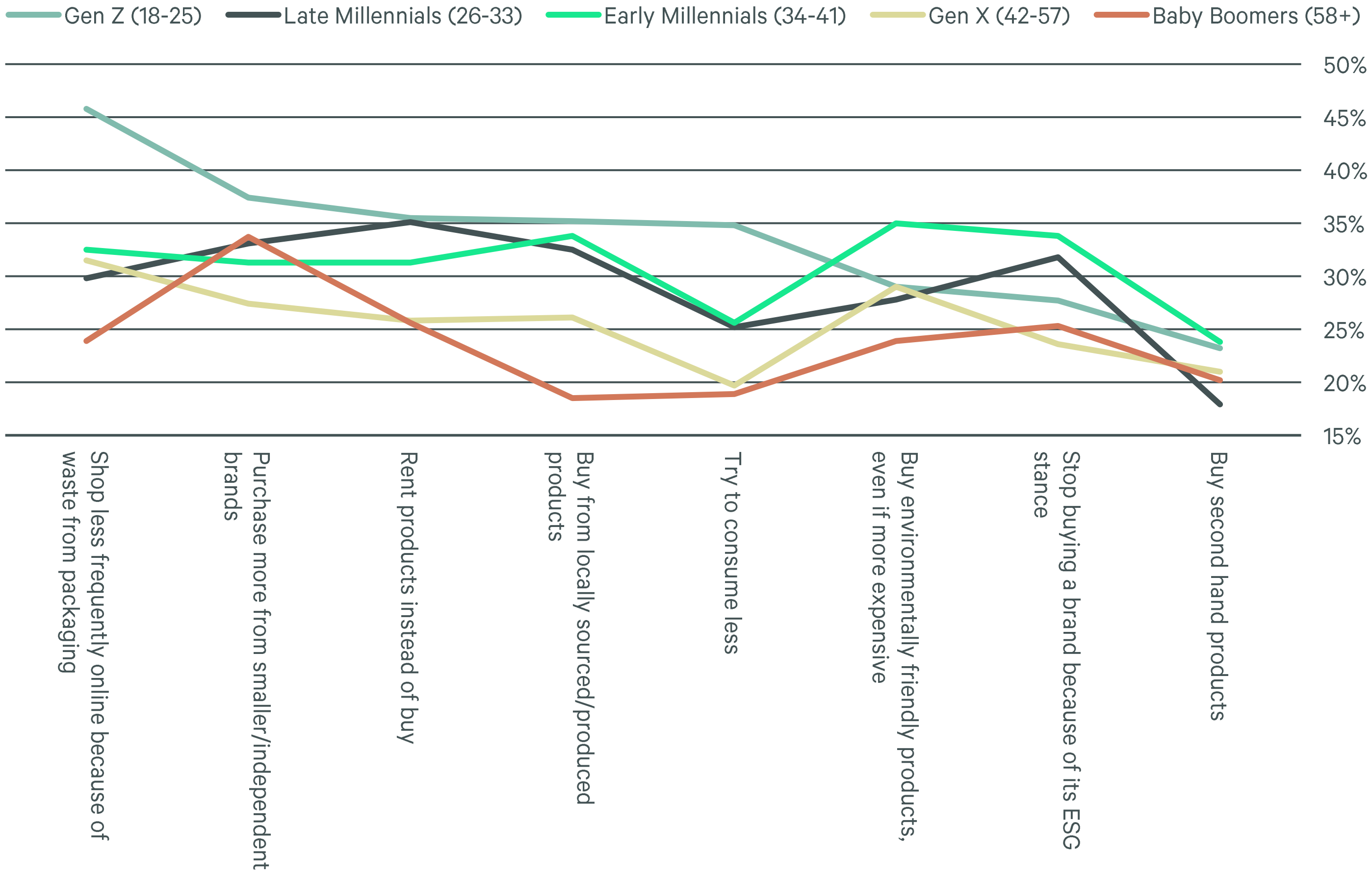
03
SHOP

Environmental under-takings for the future

Consumers are planning to...

- German consumers are planning to buy less frequently online in future, so as to avoid the packaging waste associated with such purchases. This is particularly important with Gen Z.
- In addition, greater importance across the generations is attached to buying products from smaller, independent brands, while hiring or leasing products is experiencing growing enthusiasm as an alternative to buying them.
- By contrast, purchasing used products, or generally lowering consumption, is viewed as less of a strategy for achieving sustainability and protecting the environment. Evidently, these measures have already been realized (cf. Figure 17), with the result that consumers in Germany are looking to pursue further or other activities in the future.

Figure 18: Sustainability/environmental actions to be taken in future (Germany, by age group)



Source: CBRE Research, 2023.

03
SHOP

Actions for landlords and occupiers

Carefully calibrate tenant-mix

Although brick-and-mortar retail remains indispensable, consumers display different behavioral patterns across various retail categories, meaning that optimizing tenant-mix is key to driving sales. Asset managers need to ensure their leasing strategies consider location demographics while aligning them with consumers' preferred shopping channels.

Strengthen occupier-landlord dialogue

With pressures from the economic environment set to persist in the short to medium term, landlords are advised to focus on regularly engaging with retailers as part of managing customer relationship initiatives to better track and manage asset performance.

Enhance the environmental features of real estate

In tandem with consumers taking action to conserve the planet, retail landlords should facilitate environmental actions in their assets to increase customer loyalty. Potential initiatives include installing material recycling points, adding water bottle fill-up stations, and reconfiguring their tenant mix in favor of tenants with strong environmental credentials.

Augment product sustainability credentials

Consumers aiming to buy and use less pose a clear challenge for the retail sector, which has historically focused on growth. Retail occupiers must therefore explore ways of improving the sustainability credentials of their products to ease consumption concerns.

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