

KEYNOTE INTERVIEW

Flex living is going mainstream



Leveraging a flex living strategy can help address supply-demand imbalances and acute affordability issues across major gateway cities, say Bain Capital's Ali Haroon and Rafael Coste Campos

Bain Capital's flex living strategy in Spain was built on deep analysis of structural undersupply of a market where stock was old and unaffordable – a dynamic that intensified as rates rose in 2022 and homeownership moved further out of reach for many. The firm partnered with local operators Momentum and Node and applied a combination of top-down and bottom-up underwriting with active portfolio management to execute the strategy.

This integrated, execution-led approach allows for cost control, on-time delivery and value creation from development to exit, explain Ali

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Haroon, head of European real estate, and Rafael Coste Campos, partner with Bain Capital's Europe real estate team.

Q How do you think about the opportunity in flex living today across Europe?

Rafael Coste Campos: Across Europe, we are seeing a shortage of modern rental housing, particularly in gateway cities. Demand is increasing across major urban markets, with population

growth of around 1 percent per annum in cities like Madrid, Paris or London.

We see increased polarization between the main metropolitan areas and the rest, driven by increased net migration (7 percent compound annual growth rate since 2018). On the supply side, there is a deep and increasing gap given limited land availability and severe headwinds, such as capex inflation up to 40 percent post-2022, building permits down around 40 percent from 2022, and increasing regulatory complexity.

At the same time, demand is evolving. The share of single-person households has increased from 31 to

35 percent over the past 10 years, and people are increasingly more mobile. Taken together, these dynamics are reinforcing supply constraints, driving rental growth but also increasing affordability pressure. We had to create the product, which is now commonly known as flex living, adapting to demand for smaller units, more accessible price points and greater flexibility while offering high-quality product with strong amenities.

Today, flex living has been a success for us. We built a 4,000-unit platform in Spain, which we have exited, and we are now scaling a second, larger platform and exploring expansion into other European gateway cities where we see the same fundamentals.

Q How can investors identify attractive entry points?

Ali Haroon: We are seeing a compelling opportunity set in Europe today, driven by limited new supply and reduced capital availability across the market.

Our focus across living and other sectors is identifying markets where demand is strongest and new supply is most constrained and then deploying capital where we can control execution. We initially focused on Southern Europe, where we saw the clearest imbalance between demand and available high-quality housing.

A significant portion of opportunities we pursue are sourced directly through local partnerships and our on-the-ground teams. This reflects deep local relationships, sector specialisation and execution capability. In residential, this has included building flex living platforms in Spain and identifying similar opportunities in markets as Milan, Paris and London.

A key part of our strategy is building and scaling operating platforms in fragmented markets. In Spain, we developed a flex living platform from the ground up, controlling design, delivery and leasing alongside local partners.

That allows us to manage cost,

Q What is the flex living sector experiencing in terms of tenant demand, pricing power and rental growth?

RCC: Tenant demand has been much broader than initially anticipated. Initial assumptions were that the tenant base would skew younger, but in some schemes the average age is 38. This reflects a widening addressable market as the age of first-time home ownership increases, but also broader needs across social and age categories. This has translated into strong rental growth in key markets, with increases of around 5-6 percent CAGR in recent years.

Affordability remains a key consideration. We are seeing effort rates between 30 and 40 percent in Southern Europe, up from 20-30 percent a decade ago and up to 50 percent in London. At the same time, house prices continue to grow, while wage growth is more moderate, adding continued pressure on affordability.



timing and product quality in a way that you cannot replicate through passive investment.

Around three-quarters of the opportunities we are finding across Europe are self-sourced, either through our exclusive local partnerships or our internal team. This has been helped by the fact that competition has severely diminished given back-book issues and a tough fundraising environment. However, we have been able to identify and source a strong pipeline of opportunities thanks to meaningful investments in our team over the same period.

Flex living in Spain is a good example where the supply-demand imbalance is very favorable. But we are also finding similar opportunities in other major metropolitan areas where there

is a severe lack of high-quality yet affordable housing.

We see similar dynamics across other sectors such as logistics and data centers, where demand is strong but delivery requires capital and strong local execution discipline. In those sectors, as in residential, the opportunity often sits at the intersection of constrained supply and operational complexity, whether in development, leasing or infrastructure delivery.

Q Where are liquidity levels for residential, particularly given the mix of forward sales, institutional buyers and refinancing options?

AH: Residential continues to attract capital relative to other asset classes, although overall liquidity remains

lower than historical levels. The key difference today is that capital availability is more limited. Well-located, high-quality assets tend to attract the strongest buyer interest. Our approach is to take on development and leasing execution early and deliver stabilized assets aligned with that demand – in effect, build-to-core, where we seek to deliver a best-in-class product that still attracts core capital.

We see a similar pattern across other sectors where capital is available for stabilized assets but less so for development or repositioning. That gap is where we are most active, as it allows us to create value through execution rather than relying on market timing.

RCC: We see a big shift in institutional ownership. According to our analysis, institutional allocation to residential has increased from sub-10 historically to 20-30 percent as capital rotates out of office and retail today. Living has become the preferred real estate asset class for institutional investors. So, while total volumes are down, more investors are willing to buy residential. We recently sold a fully stabilized, high-quality PRS asset in Dublin. There were multiple bids, reflecting continued demand for residential assets even in a lower transaction environment.

Q How important is ESG and tenant experience in shaping the long-term value of these assets?

RCC: Increasingly important. The vast majority of European residential stock was developed under older standards, with almost 75 percent of stock being EPC-D or lower. We focus on delivering energy-efficient buildings, strong sustainability credentials and modern tenant amenities.

Tenants care a lot about the quality of the services we offer, the community we bring to the assets and the amenities. That is why they move to our flex living assets versus older stock. They do care about ESG as well, and some ask

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questions, but it is the investors on the other side who really care about ESG credentials. So, everything we do today, we build to high sustainability and performance standards. Our first flex living platform in Spain was BREEAM Outstanding, which we understand to be the first living portfolio to have this categorization.

We think that increases liquidity at exit, but more importantly, assets that do not meet ESG standards are likely to face increasing pressure on liquidity and valuation over time. The next core buyer does not want the hassle of taking something from EPC D or E to A or B – it is very granular and hard work.

While quantifying the exit premium is more art than science, if you have BREEAM Outstanding versus having no certification, that might not even be a premium: one will sell, the other likely will not. We really believe that

the return on investment to make the building best-in-class is high.

AH: This is consistent across sectors, including logistics and data centers, where energy performance and operational efficiency are increasingly central to both tenant demand and investor underwriting.

Q How is the flex-living sector expected to evolve over the next five years across Europe?

AH: Over time, we anticipate flex living becoming a more established segment of the residential market, like the evolution seen in student housing. Demand for flexibility, amenities and professionally managed housing continues to increase. The key will be delivering a product consistently across markets, not just identifying the demand.

Tenant expectations continue to evolve toward more amenities and more flexibility, and flex living gives them that: they can move easily, live in nice surroundings, and even if units are smaller, they benefit from broader shared spaces as part of the community. We are seeing similar tenant preferences across major urban markets, with demand for flexibility, amenities and convenience becoming more consistent internationally.

This product provides all of that, so it is just a matter of time before it expands from Madrid to Milan, Paris or Mumbai, all cities we are active in. We expect this trend to extend across multiple global markets over time.

RCC: Initial skepticism in European markets has shifted significantly, based on strong operational performance of our assets. We now lease approximately 1,000 units in eight months, often with waiting lists. Flex living has become a formal asset class in Spain.

What you see in Madrid, you also see in other European gateway cities. Delivery of the right product has consistently unlocked demand across markets. We remain very positive about the outlook. ■