



DATA STORY

# REAL ESTATE'S DEMOGRAPHIC DRIVERS

Major demographic shifts will reshape real estate in the coming decades. Residential, office, industrial and retail property must respond to the changing needs of people and businesses.

Here are seven key points



**Kelcie Sellers**  
Associate Director,  
World Research



**Connor Chilton**  
Associate,  
World Research

# 1 The global population is close to peaking. Developed countries are already seeing declines, but growth is still forecast elsewhere

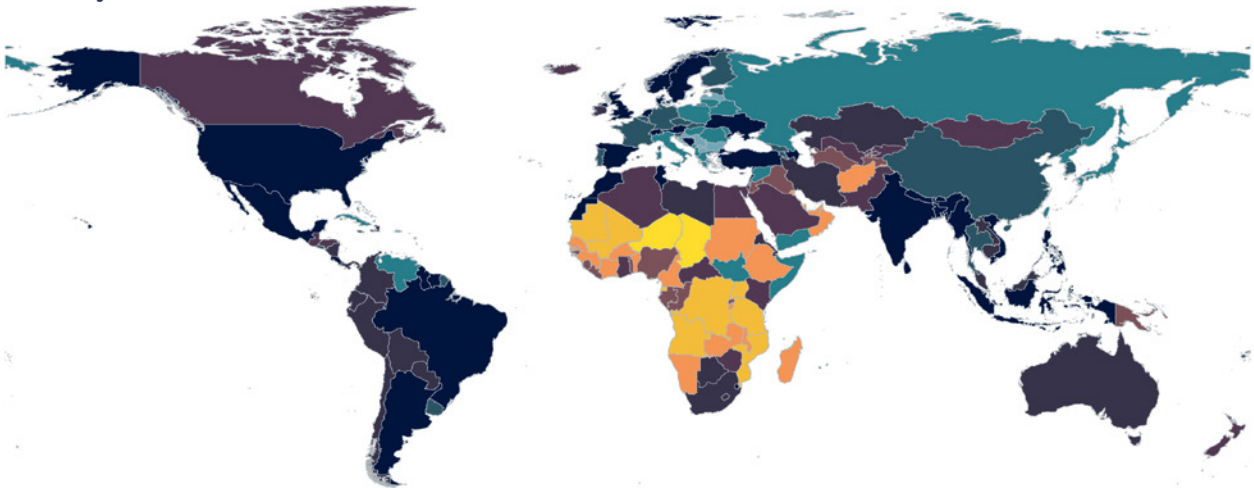
After a long period of sustained growth, the global population is likely to peak and then fall within this century, with huge implications for public finances, labour markets and real estate. Developed markets are already experiencing falling populations, a phenomenon we will start seeing in emerging economies over the next 10 years.

But populations are continuing to grow in some regions. Africa, for example, is experiencing a rapid demographic and urban transformation that is set to generate significant opportunities. Locations with rising populations will likely benefit from increased investment, business formation and economic growth over the coming decades. ▶

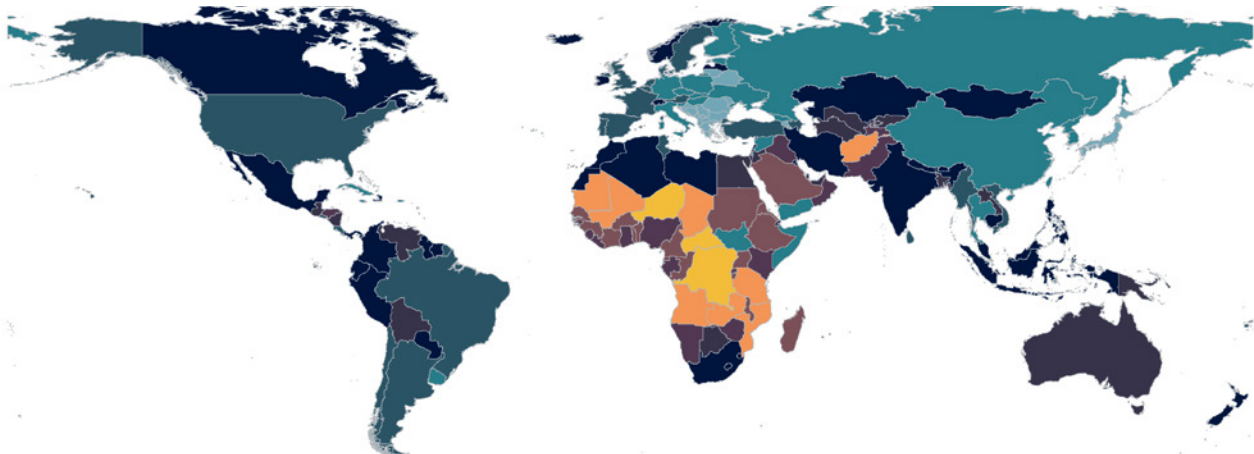
## Population growth by country (%)



Past 10 years



Next 10 years



## 2

### Global fertility rates have more than halved over the past 70 years

The total fertility rate has fallen from around five children per woman globally in 1950 to 2.25 children in 2023. The economic implications are significant: fewer births today means fewer working-age adults in 15 to 20 years' time.

A priority for businesses will therefore be to retain the talent they already have, including working parents. "Many parents, particularly mothers, leave or reduce their hours because of childcare pressures," says Yetta Reardon Smith, Director, Workplace and Design, Savills. "In an era of demographic decline, creating parent-friendly workplaces is no longer a nice-to-have, it's a business essential.

"Take the energy company BP: in the UK, its family-friendly policies and on-site nursery mean almost 100% of mothers return after a second child, and 97% are still with the company five years after their first. That's well above the UK average and shows what's possible when support like childcare, flexible leave and coaching is built into the workplace."

#### Global average number of children per woman



Source: Savills Research using World Bank

## 4

### People are moving, some cities are shrinking and populations are getting greyer

Population decline in China is uneven, shaped by strong internal migration. Around 57% of cities are expected to see population contraction over the next decade, as younger workers gravitate towards major economic hubs in search of better opportunities. "Young people are migrating to cities where jobs and industries are more concentrated," says James Macdonald, Head of Research, Savills China. "That leaves many smaller cities facing both population loss and a rapidly ageing demographic."

Rather than a simple decline, this reflects a broader redistribution. Policymakers are increasingly focused on managing the imbalance – supporting lower-tier cities while easing pressure on first-tier cities, where housing costs and infrastructure constraints remain acute. In response, investment is being directed towards local economies, particularly through the development of the 'silver economy' and service-led sectors, alongside initiatives to boost domestic tourism and consumption in smaller cities. "We're also seeing early signs of people returning to their hometowns," Macdonald adds. "They often bring back skills, capital and ideas developed in larger cities, supporting small business formation and more localised growth."

57% OF CHINESE CITIES WILL SHRINK OVER THE NEXT DECADE

### 3 India's demographic dividend is set to drive growth for decades to come

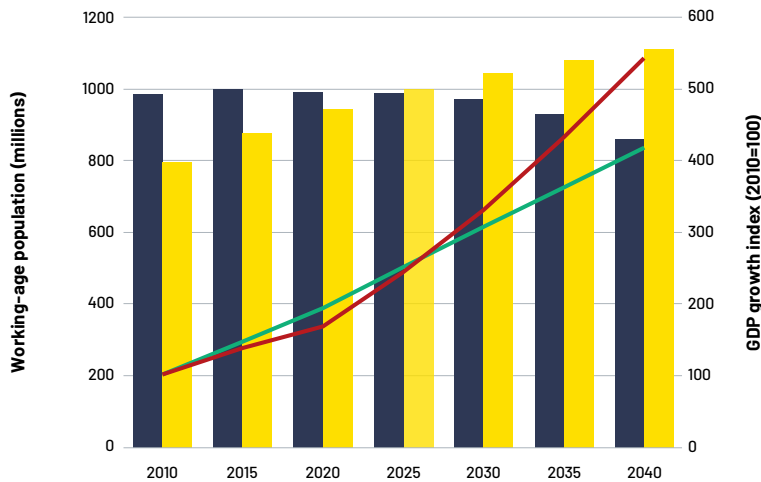
India's working-age population is forecast to continue growing over the next 15 years. "India's median age is around 28, with 67% of the population in the 15-64 age group," says Arvind Nandan, Managing Director, Research and Consulting, Savills India.

"This demographic dividend is expected to remain its

strongest point well into the latter half of this century. A high skill base, thanks to a constant stream of STEM graduates, has facilitated the growth of global capability centres. With private consumption contributing over 60% of GDP, India will continue to witness growth in urbanisation, infrastructure, energy and services."

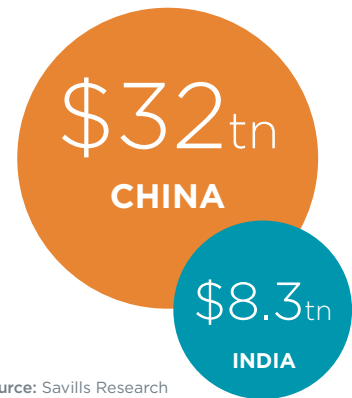
#### Working-age populations and GDP growth rates in India and China

■ China working-age population ■ India working-age population — China GDP growth index — India GDP growth index



Source: Savills Research using Oxford Economics

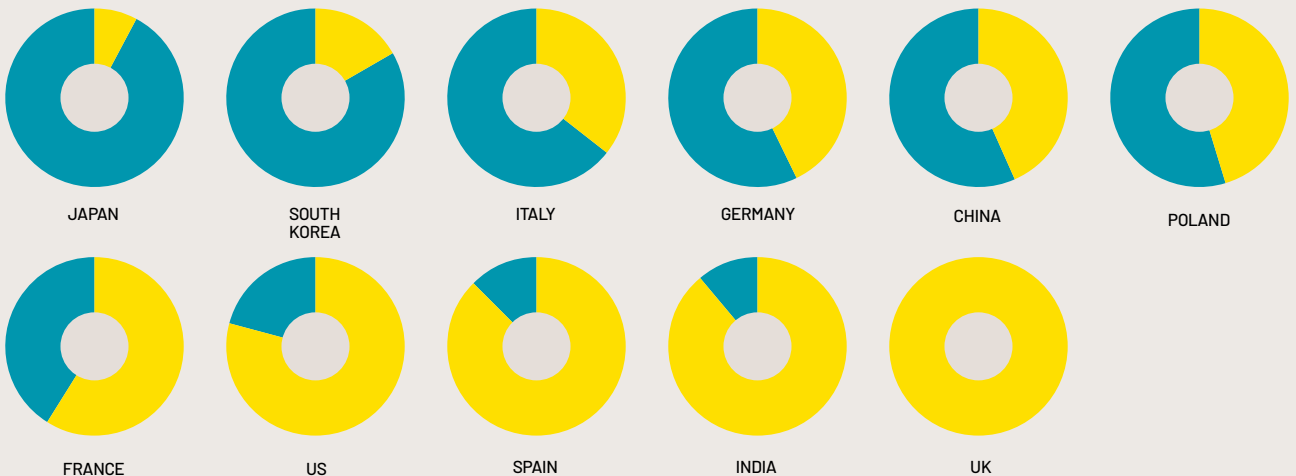
#### Forecast GDP of India and China in 2040



Source: Savills Research using Oxford Economics

#### Changes in city populations in selected markets over the next 10 years

■ % of cities growing ■ % of cities shrinking



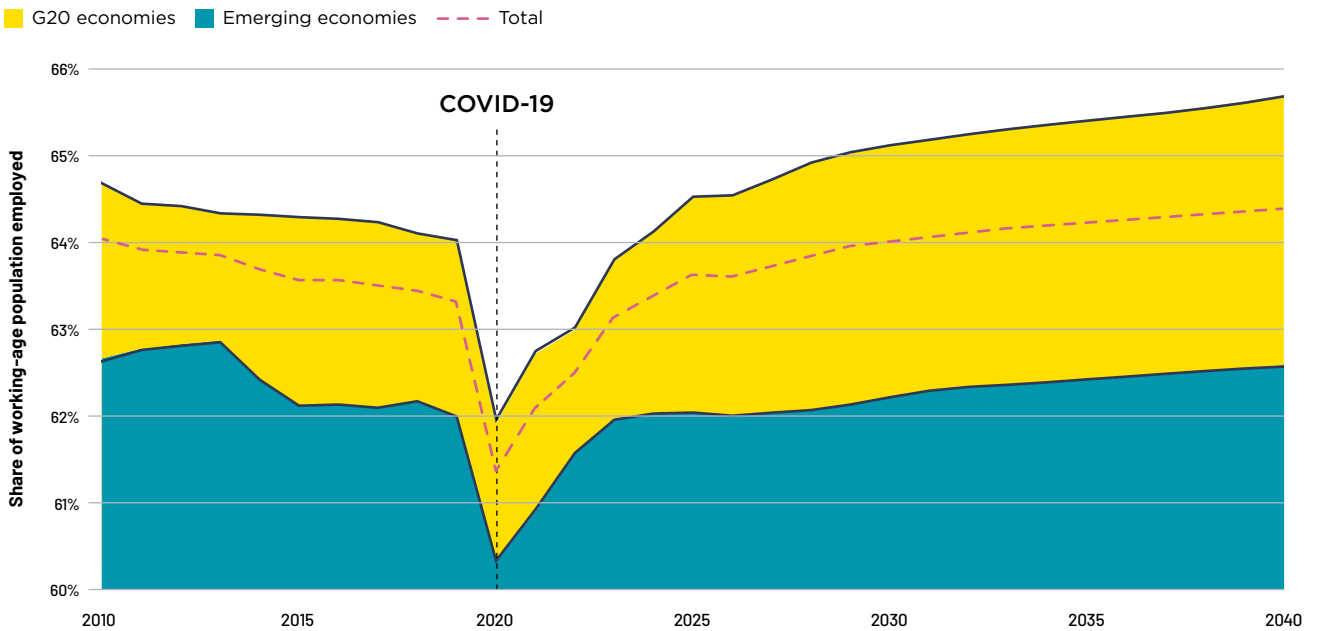
Source: Savills Research using Oxford Economics

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**Economies will face pressure to increase the proportion of the working-age population that is economically active**

When populations fall and age, the dependency ratio (which compares the number of dependents with the working age population) increases. Currently, around a third of the working-age population globally is not in employment. A major challenge for economies in the coming decades will be increasing the proportion of people in work or shifting some tasks to new technologies such as AI or robotics.

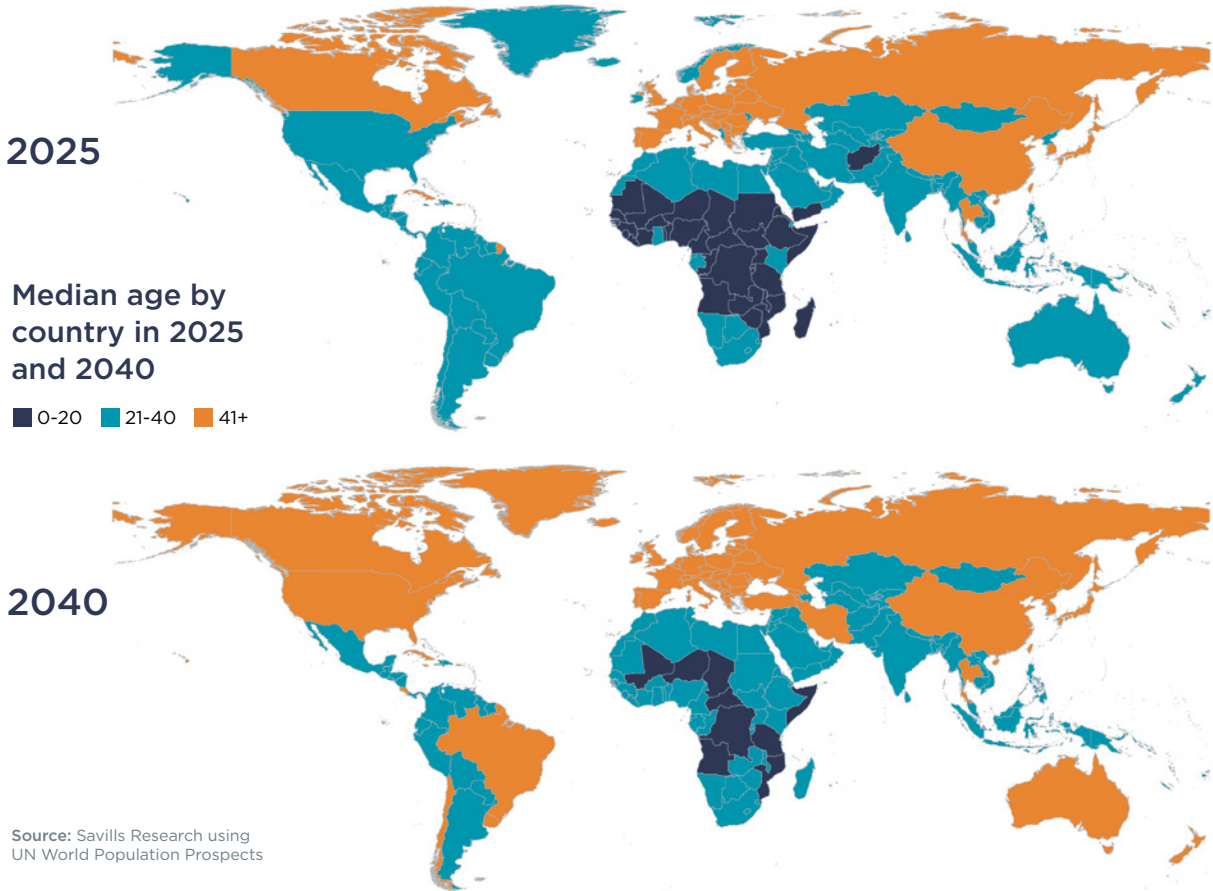
**Share of working-age population in employment**



Source: Savills Research using Oxford Economics



**6** Together, these trends will have a major impact on real estate in the coming decades



In many parts of the world, the median age is forecast to exceed 40 by 2040. The built environment will need to change to meet the residential, health and workplace needs of ageing populations, and respond to trends such as declining household sizes, rural depopulation and shrinking workforces.

Their impact is already being seen in Asia Pacific, says Emily Fell, Senior Director, Living Sectors, Asia Pacific Capital Markets, Savills. "Across cities in the region, demographic change is accelerating the repurposing of under-utilised offices, retail and hospitality assets," she says. "As populations age,

households shrink and urban mobility increases, converting existing buildings into rental, student and senior living is becoming one of the most pragmatic and capital-efficient ways to meet future housing demand." ▶



# The likely impact on real estate

■ Positive effect ■ Negative effect ■ Neutral effect

TRENDS	OFFICES	RETAIL	LOGISTICS	RESIDENTIAL
<b>AGEING POPULATION</b>	Offices need to be accessible and adaptable. Demand for medical office space or hybrid health-admin facilities rises	Growth in health, leisure, and wellbeing retail. Stores catering to lower mobility (pharmacy-led, service-based retail) outperform	Increased demand for logistics, cold-chain storage and last-mile delivery as mobility decreases and medical consumption rises	Housing demand eases in some areas, softening rents and prices. Shifting demand towards age-friendly housing and accessible design
<b>RISE IN SINGLE-PERSON HOUSEHOLDS</b>	Preference for urban, amenity-rich offices close to transit, enabling shorter commutes. Demand for flexible, smaller spaces in central locations	Growth in convenience retail and experiential formats as singles spend more on services and leisure over bulk goods	Parcel volumes grow, driving last-mile delivery hubs and micro-fulfilment centres in dense urban locations	Stronger demand for studios, smaller apartments, co-living schemes and professionally managed rental housing with shared amenities
<b>URBAN CONCENTRATION AND RURAL DEPOPULATION</b>	Major urban areas and city clusters outperform, benefiting from clustering effects	Urban convenience retail increases. High-street resilience depends on proximity to high-density areas	Logistics increasingly oriented towards urban last-mile facilities, with less demand for large rural sheds unless tied to strategic national networks	Urban sprawl constraints increase prices and density. Demand rises for transit-oriented urban housing
<b>MIGRATION AND DIVERSITY</b>	Gateway cities attract diverse talent pools, supporting business expansion and office demand	Expanded demand for diverse offerings supports more dynamic retail ecosystems	Labour-intensive logistics benefit from migrant workers. Import-flow-driven logistics expand in hubs connected to global trade	Migration reinforces rental demand in major cities, especially in rental markets
<b>SHRINKING WORKING-AGE POPULATION IN DEVELOPED COUNTRIES</b>	Employers to upgrade office quality to attract talent. Automation reduces some space needs but increases demand for tech-enabled offices	Staff shortages increase automation (self-checkout, robotics, AI) and smaller store formats. Less expansion in labour-scarce areas	Robotics and automation accelerate adoption of high-tech distribution centres. Labour scarcity fuels demand for newer, more automated facilities	Stable occupancy in key urban centres, but limited household formation growth minimises long-term demand
<b>INCREASING YOUTHFUL POPULATION IN DEVELOPING COUNTRIES</b>	Younger demographics drive demand for modern, tech-enabled workspaces, flexible leases, start-up hubs and innovation districts	Stronger demand for affordable fashion, convenience retail, fast-food chains, as well as large-format malls aligned with rising consumption	Rapid growth of e-commerce amplifies the need for national distribution networks, last-mile facilities, and urban fulfilment hubs	High need for plentiful, affordable housing, including large-scale developments, rental housing, and mixed-income communities

Source: Savills Research



### JEMIL DAWODU

ASSOCIATE PARTNER,  
DEMOLA DAWODU AND  
ASSOCIATES CHARTERED  
SURVEYORS AND PROPERTY  
CONSULTANTS, LAGOS

“ Africa’s rapid demographic and urban transformation presents one of the greatest opportunities of the 21st century. With 40% of Africans under the age of 14, its young population is poised to drive creativity, innovation and economic growth. By 2100, one in three babies will be born on the continent.

Africa is also the world’s fastest-urbanising region, with more than half of its people expected to live in towns and cities by 2035. This shift will generate wealth, expand business opportunities and inject new dynamism into urban centres.

By 2035, the continent will have six megacities: Lagos, Greater Cairo, Kinshasa, Greater Johannesburg, Luanda and Dar es Salaam. Each will be home to more than 10 million residents. These cities are emerging as powerful economic anchors, attracting skilled workers, global companies and rising levels of investment.

As they grow, they will play an increasingly central role in shaping Africa’s economic future through creating more dynamic and wealthier consumer markets, better-connected and more sophisticated commercial and distribution hubs, and larger bases for industrial production and global supply chains. ”

## 7

### Demographic change will resonate across sectors, including residential, retail, offices and logistics

In many markets, the challenge for real estate is rethinking how existing and new buildings can reflect the changing demographic reality.

The Netherlands, for example, is developing intergenerational real estate concepts that combine senior housing and childcare. “These demonstrate how the sector can respond to ageing populations while strengthening social cohesion and making more efficient use of space,” says Bas Wilberts, Head of Investment, Savills Netherlands.

“One of the key challenges in the Dutch housing market is limited residential mobility. Larger homes are often under-occupied, while downsizing options remain scarce. Addressing this mismatch is not only a policy issue, but an investment opportunity. By creating housing formats that enable downsizing and encourage intergenerational interaction, investors can contribute to improved market flow while achieving ESG objectives.” ■