



CHAPTER 4 ◆ POLICY: RULES OF THE GAME

A Word from the Wise: The Interchangeabilities of Micro-Living

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Dr. Philip Huperz and Kristina Marx are lawyers with [GSK Stockmann](#) specialized in real estate transactions and real estate development. GSK Stockmann is an independent corporate law firm with more than 200 lawyers and tax consultants in Germany and Luxembourg. They have seen strong developments in the market of micro living, serviced apartments and boarding houses in the past few years, noting that the multi-utilization of buildings is increasingly discussed for new investments.

The need for micro-living and shared living models has been driven by urbanization and accessibility for some years now. These living concepts offer a ready-to-live unit to students, young professionals and expats in large metropolises where the need of accommodation exceeds the supply. New developments have a lot more to offer than just furnished rooms such as coworking areas, gyms, conference spaces, etc. Any expectation can be met with an increased demand for amenities.



Students gather in the common area at their micro living apartment complex.

Nevertheless, new developments are more successful than others and stakeholders are beginning to question whether the markets may be satisfied soon. The pandemic's impact is currently supporting these doubts. But even before COVID-19 spread over Europe, there was significant demand for alternative use concepts that could be easily implemented into buildings in case the intended utilization did not work out. At the moment, investors check alternative use options as those not only provide more comfort for new investments in micro-living concepts but also help improve finance conditions.

Living concepts for smooth transformation

What could those fallback options be in future? At first sight, hotel and micro-living concepts seem to be exchangeable. The size of the rooms and the furnishing are similar, and both usually include a restaurant, a gym and other services in the building. However, urban planning regulations may not always allow the exchange. While micro living is recognized as residential use where tenants intend to lead their domesticity, hotel uses, or commercial accommodation is coined by permanent exchange of short-stay users. This is the reason why, for example under German urban planning law, hotels of a certain size are not permissible in residential areas. Having erected the building for residential use in such a place, the developer cannot simply decide for a hotel use for tourists if the young professionals or expats fail to appear for the micro-living concept. Therefore, financing institutes would not accept this alternative concept as fallback position.



Residents gather in the communal kitchen at their senior living home.

More promising alternatives for micro-living are the senior living options whose share also has been increasing in the last couple of years. Markets show that there is a very high demand for alternatives to nursing homes. Elderly people are searching for accommodation which offers easy access to supporting benefits or care services but – to the extent possible – allows a self-determined life. Shared flats for seniors or so-called assisted living may be seen as the happy medium between nursing homes and ambulatory care at home. They offer assistance where necessary but also a sophisticated place to feel home at.



The interchangeability of micro-living to similarly designed living concepts should be considered as a smart alternative.

The advantage for investors is that these uses are deemed residential and, therefore, are allowed in the same building areas which also accept micro-living. In addition, exceptions granted for micro- living – e.g. not to provide a children's playground like for common residential buildings – can also be granted for senior living. In short: The use is usually permissible.

Embedding Plan B into Plan A

High fire protection standards and accessibility must be implemented right from the beginning in every micro-living concept to ensure a smoother transformation of space if needed. Otherwise, fundamental changes which are expensive and run against the economic efficiency of the investment may occur. Other than that, the change of a micro-living object to alternative shared living models can usually be undertaken with few investments and should therefore always be borne in mind.

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