

# the rise of co-living

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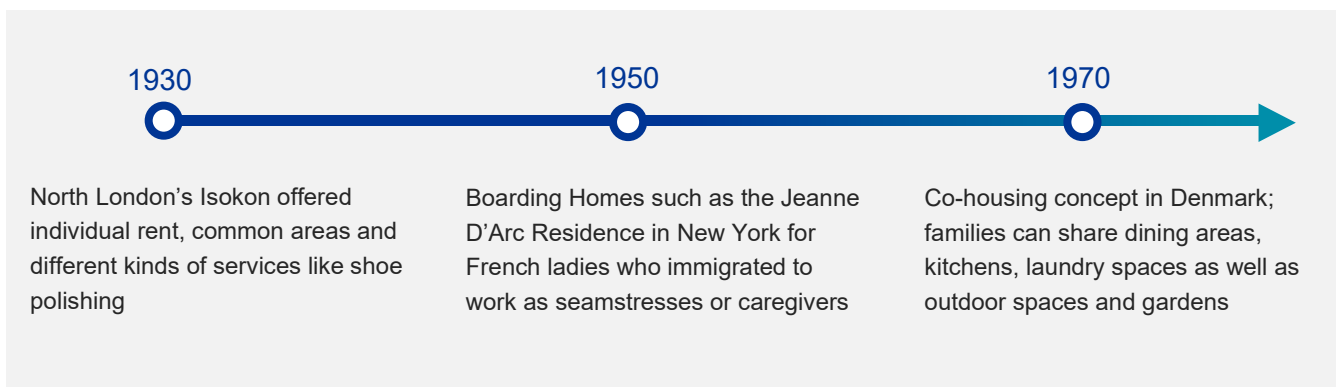
## What is co-living?

Although it is difficult to formulate a clear definition of co-living concepts, one common factor of all is that co-living residences provide common areas to socialise, cook, eat, study, work or watch movies together with fellow tenants. To create a sense of community is one important aspect of all concepts. Additionally, while the tenants are living - in most instances - by themselves in a (smaller) studio or an apartment, public areas such as rooftop terraces, gardens, co-working spaces and potentially food and beverage outlets are important areas to socialise. Furthermore, those public spaces tend to be nicer than single tenants could generally afford in their private units.

But what differentiates co-living concepts from traditional housing or accommodation facilities (such as hotels and serviced apartments)? We believe that one of the distinguishing elements are staffing positions such as the community managers (or something similar), that are commonly in place to help nurture the sense of community and the social experience for the tenants.

## Is it something new?

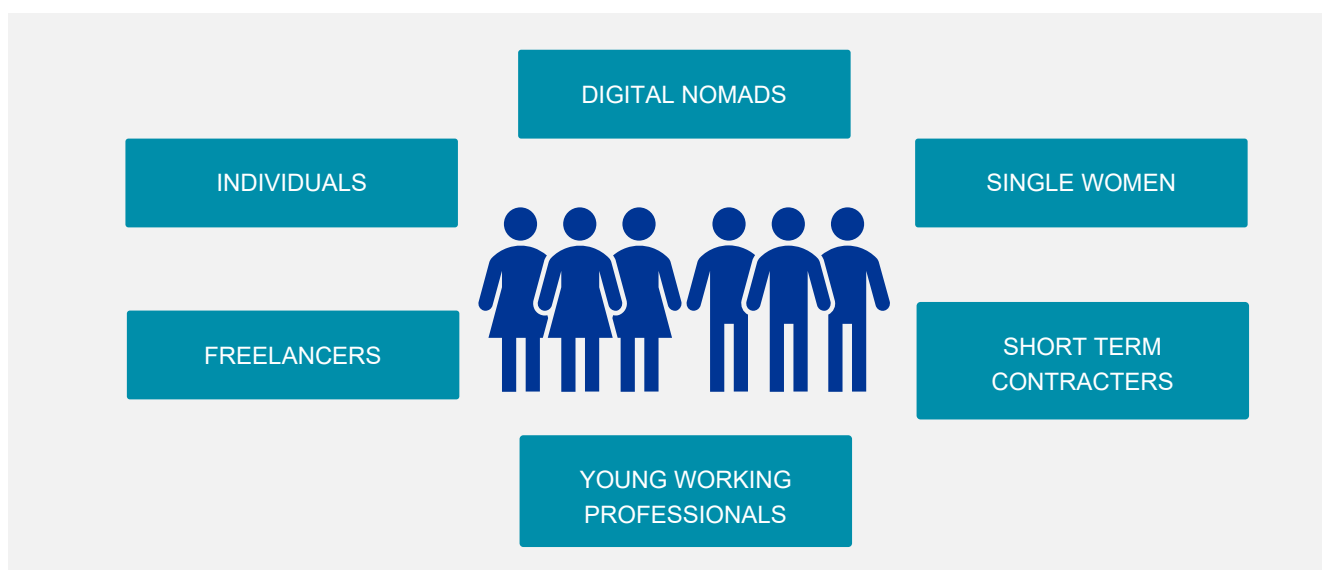
Co-living is not a new phenomenon. Below are only a few examples of co-living concepts of the last century:



## Who uses co-living concepts?

Currently, co-living concepts appeal most commonly to the generations Y and Z like students, digital nomads and young professionals. As younger generations prefer to be mobile and to move from place to place without being hindered by a mortgage or a long-term lease, fully furnished co-living spaces can be of great advantage. As per a survey published by Fox Business, the number of millennials – the so-called **generation rent** (renting instead of buying apartments) – increased in the past years. This can be ascribed to the involved costs and risks, as well as the limited flexibility when buying real estate. Posted workers, who are temporarily based in a specific location, represent another target group for co-living concepts, in this case a convenient alternative to regular hotels or serviced apartments.





### What is important for the target group?

The so called 3Cs principle is a unique selling point for co-living concepts. The 3Cs stand for:

**convenience:** easy to rent and move in, located close to universities and workplaces and easily accessible by public transportation

**community:** organised group activities ensure that tenants don't feel lonely in the new environment; communal kitchens and other common areas create a sense of belonging

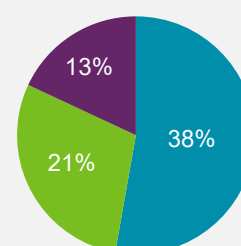
**collaboration:** community events and creation of a lifestyle-focused environment to meet new people and collaborate

According to a survey conducted by the design studio Anton & Irene in collaboration with SPACE10, only 3 % of the surveyed co-living tenants indicated that they are not willing to share anything at all with their fellow tenants. Sharing internet, gardens/public areas, workspaces, laundry facilities are just a few examples for which most co-living tenants are open.

### What is the outlook?

With the increased demand, co-living concepts are of great interest for investors and developers. The UK developer and operator, The Collective, and DTZ Investors recently announced their plans to raise up to about £ 650 million for a co-living fund. The fund will hold a portfolio of about six to ten assets aiming to attract £ one billion of investment with returns of 8 % to 10 % within the upcoming ten years. Many investors have started to perceive co-living as a tested niche subsector comparable to student housing. Furthermore, in line with other serviced living concepts (e.g. serviced apartments), we deem this sector less vulnerable in times of a potential economic downturn, which generally affects the hospitality industry.

### main advantages of co-living



- more ways to socialise
- splitting costs and increasing value
- join a community not related to work or school

Source: The Class, Annual Trend Report, Edition 2020

In the future, it will be interesting to see if a predominant operating structure is established and whether current operators establish brands that evolve in line with hotel chains, etc. From an investor perspective, will yields fall in the range between residential and hotel assets or even potentially above? PKF livingexperts is keen to follow these trends and be a key strategic partner in the evolution of this exciting segment of the market.

For further information about co-living and our PKF livingexperts services, please contact:



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