

# Spotlight on Co-living



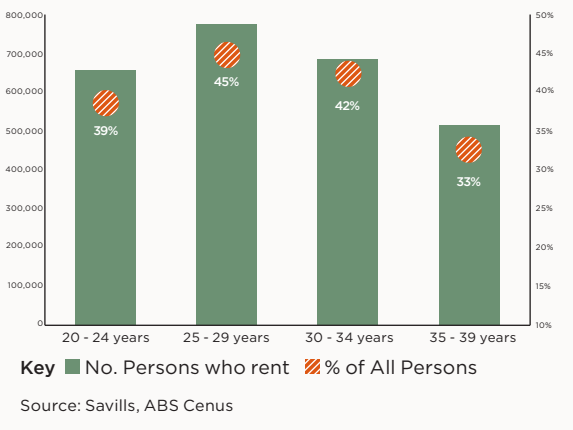
## Co-living is emerging as a lifestyle choice and trending as a credible investment option

Australia's rigid obsession with the "Property ladder" is stirring with the influx of new housing concepts. A recent shift to the housing journey, from the tradition of living at home until you had enough of a deposit to purchase a dwelling, first occurred with the addition of modern, high quality purpose built student accommodation (PBSA) to the housing mix.

A new rung, and the next step up from PBSA, is being recognised globally as Co-living, or purpose built graduate, young professional, urban, city dweller, community inspired, experience orientated accommodation.....the definition is opaque.

Essentially, Co-living brings together high-quality rental rooms on short- to long-term leases generally under the boarding house regulations, in the same way that PBSA does, but for a different, and slightly older - 25-34 year old - target market. This operational residential asset class is also individualised from PBSA through sophisticated, more mature design tweaks. These properties are differentiated from the new generation boarding house concept, through the use, and delivery of plentiful community orientated amenity spaces encouraging social interactions, wellbeing and experience, alongside privacy in your living space.

Rental Accommodation Favoured by Young Persons

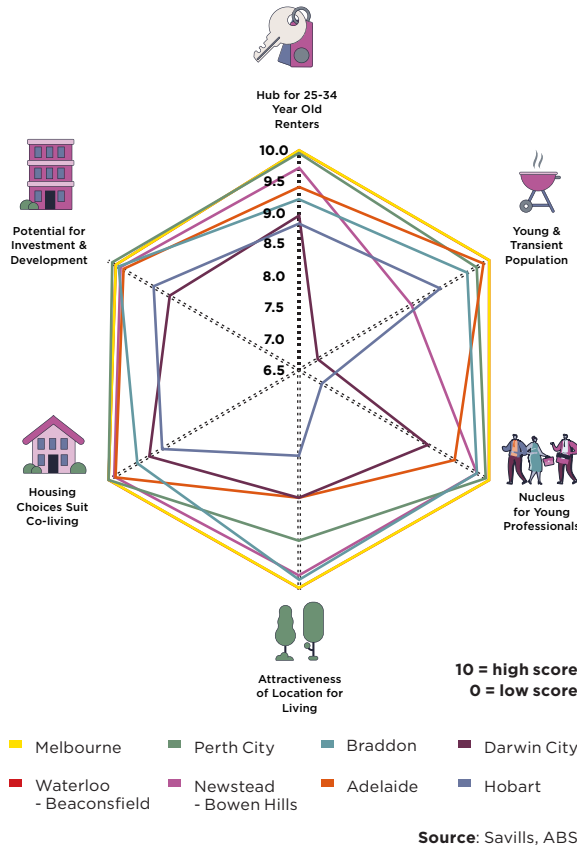


Co-living has grabbed the attention of investors and developers who are keen to disrupt traditional housing typologies with innovative, and more affordable, housing solutions for the millennial generation, whilst increasing exposure to alternative, resilient and defensive investments.

According to the recent Urban Land Institute Emerging Trends in Real Estate report, the Co-living sector is ranked the 3rd hottest sector for 2020. Although still in its infancy as an institutionalised asset class, Co-living is not a new concept conceived to provide for the millennial generation's housing preferences. Communal living, or shared rental households have been in existence for centuries, instead Co-living is becoming a more mainstream and professional concept as a result of the student accommodation sector maturing.

Savills have analysed all 2,310 SA2 regions covering the whole of Australia to determine the idealistic locations for Co-living. An SA2's purpose is to represent a community that interacts together socially and economically. Each region has an average population of about 10,000 persons and includes areas with a population in excess of this.

Top Ranked Co-living Locations by State



By no means can the ranking, weighted across 14 different demographic, economic and locational data points, be definitive, sub-locations within analysed regions may model inversely. Viability, feasibility, design, placemaking and operational efficiency will continue to be the key success drivers trumping demographic inputs. However, demographic demand indicators should lead the criteria for strategy and site selection. Early evidence suggests that the appearance of Co-living properties in dense urban centres have been dominated by young professional residents from either start-up, creative, financial or professional sectors.

Investment into Co-living has predominately emerged in key global cities such as San Francisco (Common), New York (WeLive), London (The Collective), Hong Kong (Weave), Tokyo (Hmlet) and Singapore (Lyf), all residential hubs struggling to solve their housing shortages and affordability constraints.



1.46 MILLION 25-34 YEAR OLDS RENT ACROSS AUSTRALIA



ALMOST 10,000 RENTERS AGED 25-34 LIVE IN THE MELBOURNE SA2



NATIONALLY OVER 250,000 25-34 YEAR OLDS LIVE ON THEIR OWN



18.7% OF 25-34 YEARS OLDS EARN ABOVE THE NATIONAL AVERAGE INCOME

Our analysis suggests that the emergence of the sector at scale in Australia will originate across Sydney and Melbourne as 88 of the Top 100 ranked regions for investment and development are located across these two global gateway cities. As cost to develop and relative housing unaffordability continues its upward trend in Australia's capital cities Co-living options will only mature and succeed.

**Focus on Melbourne & Sydney Co-living Hotspots - Ranking**

Top 10 Melbourne	Top 10 Sydney
1 Melbourne	2 Waterloo - Beaconsfield
4 Richmond	3 Parramatta - Rosehill
5 Southbank	9 Potts Point - Woolloomooloo
7 South Yarra - East	10 Redfern - Chippendale
8 St Kilda	11 Sydney - Haymarket - The Rocks
15 Prahran - Windsor	12 Newtown - Camperdown - Darlington
17 Brunswick	13 Pyrmont - Ultimo
18 North Melbourne	14 Surry Hills
21 Hawthorn	16 Bondi Beach - North Bondi
25 Carlton	19 Erskineville - Alexandria

Source: Savills, ABS

Leading the way is UKO and Hmlet, both examples of professional Co-living accommodation options available in Sydney, which have delivered beds under the new generation boarding house planning designation. Both have been reporting full occupancy, highlighting demand for their product.

The two are differentiated in respect of their approach to the sector, and the type of business model they promote. One, being a leaseholder and operator over another's real estate, and the other fully developing and owning the real estate and operations. There is no one size fits all approach in creating spaces for young renters and driving occupancies, as experienced in the student accommodation sector.

Future government policy will be pivotal in attracting ongoing investment that will deliver sustainable long-term returns. Australian lawmakers should be mindful of passing legislation that may reduce the attractiveness of investments into new housing typologies which are more suited to generations with different preferences, or our global gateway cities may run the risk of losing their attractiveness to millennials and Gen Zs looking to study, live and work here.

**Design & Operation**

Co-living and student accommodation share the same basic principles, but each is tailored to their residents' requirements.

**Upper floors** ▲

The highest rents are usually achieved on the upper floors, especially those units that offer good views. Communal space on these levels can add value for residents, including roof top terraces, outdoor cinema screens, barbeques, pools and kitchens. Such spaces are especially important in Co-living or student buildings where private spaces are smaller.

**Ground** ◀

This is the building's shop front. This space matters and is particularly important for attracting prospective residents who are heavily influenced by the amenities on offer when making a decision to rent (even if they don't end up using them). Lounge areas, workspaces, gyms (of sufficient size) and leisure spaces are all common features. Flexible spaces that can be used for organised events or activities are important too. A cafe or bar may also be open to non-residents, improving viability and diversifying income streams.

**Basement** ▼

Car and bicycle parking features here, including the placement of share schemes, fewer spaces are required in comparison to a build to sell scheme, together with resident storage and associated building plant and servicing facilities.

**Savills team**

Please contact us for further information

**Conal Newland**  
 Director  
 Student Accommodation  
 +61 (0) 2 8215 8863  
 cnewland@savills.com.au

**Paul Savitz**  
 Director  
 Student Accommodation  
 +61 (0) 2 8215 6049  
 psavitz@savills.com.au

**Rob Johnston**  
 Associate Director  
 Student Accommodation  
 +61 (0) 2 8215 8881  
 rjohnston@savills.com.au

**Levina Lin**  
 Valuer  
 Student Accommodation  
 +61 (0) 2 8215 8964  
 llin@savills.com.au

**Jarrad Clarke**  
 Valuer  
 Student Accommodation  
 +61 (0) 2 8213 4866  
 jclarke@savills.com.au

Savills plc  
 Savills is a leading global real estate service provider listed on the London Stock Exchange. The company established in 1855, has a rich heritage with unrivalled growth. It is a company that leads rather than follows, and now has over 600 offices and associates throughout the Americas, Europe, Asia Pacific, Africa and the Middle East. This report is for general informative purposes only. It may not be published, reproduced or quoted in part or in whole, nor may it be used as a basis for any contract, prospectus, agreement or other document without prior consent. Whilst every effort has been made to ensure its accuracy, Savills accepts no liability whatsoever for any direct or consequential loss arising from its use. The content is strictly copyright and reproduction of the whole or part of it in any form is prohibited without written permission from Savills Research.



Source: Savills World Research Global Living Report 2019

