



Private rented sector

Co-living pioneers shake up rental market



Fun and games: The Collective Old Oak offers many social activities

New housing schemes promising a social life and networking opportunities are redefining the rental landscape. **Nick Hughes** reports

With a rooftop terrace, games room and secret garden, The Collective Old Oak could easily be mistaken for an exclusive private members' club, based purely on its prospectus. And in many ways, that is exactly what it is. The development is home to several hundred private renters, who pay upwards of £200 a week for a fully serviced studio flat - the majority measure just 10 sq m (108 sq ft) - with access to an impressive array of communal facilities including restaurants, bars and a spa.

Co-living is the latest concept to shake up London's housing market and Old Oak is arguably its standard bearer. In June, The Collective confirmed it plans to sell the 323-flat co-living scheme and has secured planning permission for its second London development

in Stratford. With the likes of LiveWork and Fifth State also hoping to muscle in on a burgeoning market, the co-living sector looks set to go from strength to strength. So what is driving interest in co-living? Does it have the potential to become a new asset class in its own right? And are there any barriers to the sector realising its potential?

Sharing economy

Rishi Davda, chief executive of LiveWork - which has recently wrapped up two deals to bring 550 beds and 1,000 desks to central London in as-yet-unspecified locations within zone 1 - is confident that co-living will become an important part of the much-hyped 'sharing economy'.

"The UK is in the grip of a housing crisis, with costs out of sync with incomes and

debt at very high levels," he says.

"The prevalent mood is 'spend now, save later'. At the same time, there's a cultural and generational shift placing greater value on experiences - entertainment, travel, eating out and socialising - over possessions."

The co-living model challenges some long-held perceptions about the purpose of the private rented sector. "Renting has traditionally been seen as short-term housing. However, I think co-living challenges this and creates the potential for long-term rental," says Stephen Hole, associate director at consultancy

Faithful+Gould.

"This is driven by the creation of a destination where residents can work, live and play in their community. >>

Co-living allows residents to work, live and play in their community

Stephen Hole, Faithful+Gould

« “Co-living is offering more than just a home; it is bringing to the market a destination and a place.”

Co-living is seen by some as a bridge between university accommodation and home ownership, and it is true that the model holds particular appeal for young professionals. As Darren Sheward, regional director for the South West at Lambert Smith Hampton (LSH), says, the rise of purpose-built student accommodation over the past 10 years has created a generation of graduates who are used to co-living.

“It’s a great way of living if you’ve just left university, don’t want a house share and are just finding your feet in a city as it offers a sense of community,” says Toby Nicholson, director, build-to-rent - PRS, at Colliers International.

“However, despite this, there are some people who do use co-living schemes for occasional pied-à-terre stays.”

Irina Listovskaya, head of growth at The Collective, says co-living caters for a range of groups. “There’s also a different group of people that is smaller but still exists and these are people after a community experience,” she says. “They are not necessarily young professionals; they can be very successful in their jobs and quite high earners who choose this option for the experience.”

Separated or divorced

Other experts believe retirees and people recently separated or divorced from partners may also find co-living accommodation an attractive option.

One thing that binds the majority of tenants is their desire for schemes to be located in areas with excellent transport links and within easy reach of local amenities. “What we’re finding quite interesting is that people don’t really mind where they live so long as it’s very easy to get to their place of work and go and see their friends,” says Listovskaya. “The other consideration for us is scale. To create a product similar to Old Oak we do require quite a large plot.”

Jacqui Daly, a director in Savills’ research team, agrees that the ability to build sufficient scale is key. “To make a co-living scheme work you’ve got to densify it. You need smaller units and you need to be allowed to put in more units. If you’ve got a build-to-sell site that will only take 100 units but you can increase that to 150 or 170, then you can start to compete in terms of value.”

Sonam Kohli, senior portfolio development analyst at Go Native, adds that the design of co-living schemes must strike the right balance between the flats and the common spaces. “Not

Graduate living: IQ has plans to create three blocks of co-living accommodation in Manchester city centre



enough of the former and it won’t be viable; not enough of the latter and it will be hard to attract tenants,” she says. “The success of the schemes relies very heavily on the spaces offered to tenants within their rents that are beyond their apartment doors.”

Fifth State is well aware of this. The business is looking to capitalise on the trend and recently submitted plans to Redbridge Council for 320 co-living apartments in Ilford. Founder Alex Springer says shared spaces will be at the heart of the building. “Residents will have access to lounges, event spaces, chef kitchens, bars, a cinema, a games room, yoga and boxing studios and terraces with BBQs and hot tubs overlooking London. There will also be co-working space available for people wanting to work individually or collaboratively in a creative environment.”

Whereas Fifth State is set to break ground in zone 4, LiveWork’s Davda is focusing on zones 1

and 2. “[They] are expensive,” Davda concedes, “but then again our model generates attractive yields so we can usually make a piece of land work at current rental levels.”

So far, co-living developments have been restricted largely to London, although neither Davda nor Listovskaya rule out expanding to other UK regions in the future.

Halls of residence

Other developers are already looking to test the model in major urban centres outside London. IQ recently released plans for three blocks of co-living accommodation alongside new student housing in Manchester city centre.

Sheward believes Bristol, Bath and Exeter are good examples of locations in the South West where there is likely to be demand for co-living schemes, while James Duncan, partner at law firm Winckworth Sherwood and head of its PRS team, believes co-living is perfect for cities such as Liverpool where a huge amount of development has the potential to change the demographic of an area to one that is younger and more aspirational.

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Terraces and hot tubs: Fifth State plans to build 320 apartments in Ilford

"It is important that we build homes to meet the aspirations of these people and that are within their grasp," he says, adding that with lower land values outside London, it is in the regions that the most attractive yields may be found.

James Kingdom, head of alternatives research at JLL, believes co-living developments could also benefit from changing investor attitudes towards the private rented sector. "A few years ago they were very much focused on capital values and now they're much more comfortable with the idea of income. If you build a new block of flats you'll be selling maybe one unit a week - with PRS they can see they can rent out one every day. Co-living fits within that."

Davda acknowledges that the sector is not yet an institutional asset class and says the market is taking a 'wait-and-see' approach to the concept. "That being said, we've had meetings with the chief executives of some of the biggest

corporate landowners and developers in the UK and they are keen to understand the co-living concept," he says.

Whether co-living will ultimately become an asset class in its own right remains to be seen.

Barriers undoubtedly exist to scaling up the number of developments, not least the planning regime. "One of the challenges is persuading local authority planners that this is a product for which planning permission should be granted, even though space standards aren't necessarily complied with," says Marnix Elsenaar, head of planning at law firm Addleshaw Goddard. "Planners often only support the grant of consent if developers can establish that units are not self-contained."

Listovskaya admits that conversations with local councils can be challenging. "There's a lot of education you have to do," she says. "We find that some local authorities are more forward thinking than others. When we look for sites

we do think about being in boroughs where we know we will have support."

Nevertheless, co-living brands are confident of their ability to keep on growing. Listovskaya believes The Collective could add 5,000 beds over the next five to 10 years, while Davda is planning for LiveWork to deliver 2,000 beds within its first five years.

Niche market

This would still represent a small drop in the PRS ocean. Richard Daver, managing director of Rendall & Rittner, is not alone in predicting that the co-living sector could remain niche compared with the rental market as a whole.

"While co-living has huge appeal to a certain demographic, it is only ever going to suit a particular sector of the market, and will most likely be a short-term option," he says.

Whether or not co-living evolves to become a long-term renting option and an asset class in its own right, it's clear the concept of communal living is gaining traction. The question now is whether it will be successful outside London. Watch this space. ■

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