# GLOBAL CO-LIVING TRANSFORMATION TO REAL ESTATE

By Daniel Baskin, CPA, assurance director of Marcum LLP Real Estate Group

*Daniel Baskin, CPA*
*Marcum LLP Real Estate Group*
*105 Waterview Boulevard*
*Roseland, NJ 07068*
*daniel.baskin@marcumllp.com*
*973-646-3800*

As a result of technology, the consumer has more control and influence than ever before, causing transformations across the residential, retail, hospitality, office and industrial sectors. Society is responding to evolving affordability constraints with adjusted expectations and value systems that are essentially altering how we live, work, shop, study and play. One of the most prominent outcomes, with particular impact on real estate, is the extraordinary growth of the co-living economy. Especially internationally, more people are looking to co-living spaces instead of traditional accommodations such as multi-family, hostels or even Airbnbs.

The sharing economy phenomenon has made a mark in consumer categories such as cars, clothing and even peer-to-peer lending, so it is no surprise that real estate has also become a focus for disruption. As the world of start-ups and venture capital has expanded, co-living has become the alternative market for millennials and out-of-the-box thinkers.

The co-living concept has been around for some time, but is recently becoming an interest for investors, or companies, as they experiment with the format resulting from new consumer demands. Co-living offers a variety of benefits, from housing cost relief to energy efficiencies. Most people who choose co-living buildings pay rent for a private bedroom but share common spaces, such as kitchens, living rooms, or lounge-type spaces. These residences are mostly in larger cities where the benefit of this living arrangement is an instant community and planned social engagement with no long-term commitment.

**Initial International Market Leaders**

Companies such as WeWork, which opened two locations in London under the shared-living brand WeLive, and CapitaLand, which is developing co-living brand lyf, in China, Singapore, Thailand and the Philippines, lead so far in this market. Millennials are driving the demand for alternative living options, as well as young professionals taking short-term assignments in new markets. Co-living networks such as Roam invite residents to sign up for a single lease allowing them to co-live in San Francisco, London, Bali, Miami or Tokyo for weeks or months at a time.

Communal accommodation is far from a new idea, but rebranding it as "co-living" has resulted in an unexpected revival of the concept. These new housing concepts address a number of issues that young individuals face in global cities like London, San Francisco and New York. Fewer jobs now require employees to report to a single office each day, as more companies adopt remote work practices. At the same time, the desire to be tied to a single home in one city for the long-term has decreased, creating demand for new accommodation options and innovative services to accompany them.

**Global impact**

"With tenants showing their willingness to pay a premium for the convenience of flexible lease terms, furnished units, housekeeping, fitness centers and co-working spaces, more tested co-living operators are getting to the table with major developers in early stages of development and discuss what tenancy, floorplates and returns would look like," said Shawn Lambert, a JLL analyst focused on investor research.

Global funding in co-living has increased by more than 210% annually since 2015, totaling more than $3.2 billion, according to JLL. Thus far this year, $800 million has been secured, with $283 million in the pipeline.

At the moment, ground-up co-living development accounts for about 60% of the market. That's expected to rise, given recent investments and desirability to build co-living..

"Just a couple of years ago, investors weren't willing to pour $100 million into an untested asset class, and that volume of capital is needed to get a large-scale co-living asset off the ground in gateway markets," Lambert said.

"The trend is spurring both ground-up development and leaseholds of large multifamily or office buildings in city centers," he continued. "Investors are beginning to see co-living as a tested niche subsector, comparable to student housing."