

777 View #2

Key Success Factors for Co-Living

Co-Living is a remarkable asset class within real estate and offers benefits on various levels. It allows landlords to increase the yields on their assets up to 30%. Particularly in major metropolitan areas, where space is becoming increasingly rare and real estate yields have decreased to record low levels, this operational model allows developers and investors to increase overall profitability of their assets. Simultaneously it offers single tenants a housing solution that's not only less expensive and more convenient, but also better addresses the expectations of younger generations.

However, delivering on Co-Living's promise can be quite challenging, as it requires expertise in a wide range of competencies that go far beyond traditional property management. It quickly becomes clear that conventional landlords need the help of specialist service providers to unlock the full potential of an asset. This has led to the emergence of a small number of specialist operators to date. Some of the key learnings for Co-Living so far are:

1. Efficient building layouts

At the heart of the Co-Living model is higher efficiency. However, the challenge is to do so through innovative architectural design that makes apartments and common spaces efficient, yet still makes them feel open and inviting. Conventional residential or even hotel design approaches don't work. Experienced Co-Living developers have learned how to adapt or develop assets to create highly efficient layouts. Like other RE specialty fields, this hands-on experience is key and often makes the difference between a benchmark or just mediocre asset return.

2. Modern marketing and efficient lease management

Co-Living targets the younger generations who are entering the workforce or are in the early stages of their careers. They are digital natives and perform most tasks on their mobile device, including looking for and booking apartments. This requires modern, social-media marketing and fully digital booking process capabilities. Lease management is made even more challenging because Co-Living tenants demand flexible and shorter lease terms. Average leases range around 14 months,

whereas short leases can be as short as three to six months. Successful Co-Living operators lease apartments a lot faster and efficiently than their peers.

3. Technology and services

Millennials and Gen Z'ers place substantial value on tech-based solutions. This can be simple features such as giving them electronic access to the building or apartment, allowing them to communicate with other Quarters members, pay their rent or even report maintenance issues. Professional Co-Living operators have a significant advantage over entry players as they have already created large platforms from which new assets can benefit immediately. Such platforms are expensive and require substantial up-front investment from conventional landlords or entry players to replicate.

4. A sense of community and belonging

Successful Co-Living assets need to offer amenities and features which deliver substantial value-add to young single tenants' lives. Extensive community areas such as lounges, co-working, shared kitchens and rooftops allow for continuous social networking with the other members. They create a family and help newcomers to establish new relationships quickly. The sense of loneliness was on the rise long before COVID, and the lockdowns have put a spotlight on this problem. Professional operators have done a tremendous job in implementing safety measures to maintain the social interaction whilst keeping their members safe.