

Rental Series: Co-living

Getting under the skin of renter psyche

FOREWORD

“Co-living has created a buzz in the UK since The Collective Old Oak landed on West London’s doorstep in 2016. Subsequently, the sector has more than tripled since 2019, with a second generation of products that have had high demand and short lease-up times. There is strong appetite from developers, investors and lenders, with growth now picking up in key regional cities outside of London, including Manchester, Sheffield, Birmingham and Glasgow. Interestingly, co-living is also appearing in smaller towns and cities, including Woking, Exeter, and Guildford, potentially seen by councils as a way to attract and retain young talent.

While some planning authorities are still unsure about co-living, the success and quality of operational sites has done much to reassure hesitant planners, investors and other important stakeholders. Still, responses to co-living differ between regions, and a lack of coherent planning policy, despite clear need for a huge increase in rental housing, caused the BPF to recently call for co-living to be included in the National Planning Policy Framework.

Co-living has strong ESG and social value potential, with research from some operators showing that their residents felt socially supported, less lonely, and closer to their neighbours when compared with their previous home. Research has also shown the business case for investing in community, with one operator reporting renewal rates rising in line with resident feelings of belonging. Benefits are not only social: these high density, urban dwellings, in which residents share spaces and resources, are also - given these infrastructures - likely to be more environmentally efficient than single-family households. Considering the growing importance of ESG and social value, co-living is a forward-thinking opportunity which offers residents a high-quality home that foregrounds their experience and wellbeing.

Conductor’s work in further understanding resident trends, needs and motivations is highly valuable, and I’m pleased to see the team bring their rigour and insight to co-living.”



**DR PENNY CLARK,
HEAD OF RESEARCH
& SUSTAINABILITY AT
CONSCIOUS COLIVING**

INTRODUCTION

The size of the co-living market has tripled since 2019 and the total number of existing or proposed co-living beds in the UK is now at 25,021. Conductor has delved into the nuanced needs and preferences of potential renters, knowing they are of paramount importance in creating and operating successful co-living developments.

At Conductor, we recognise the dynamic nature of co-living and its ability to provide an alternative way of living for a targeted cohort in urban areas. In our pursuit to grasp the intricacies of this burgeoning trend, we’ve conducted a comprehensive survey involving 450 individuals across the UK. Our mission is to unravel the motivations, desires, and concerns of those considering or currently engaged in co-living arrangements.

WHAT DRAWS PEOPLE TO CO-LIVING SPACES?

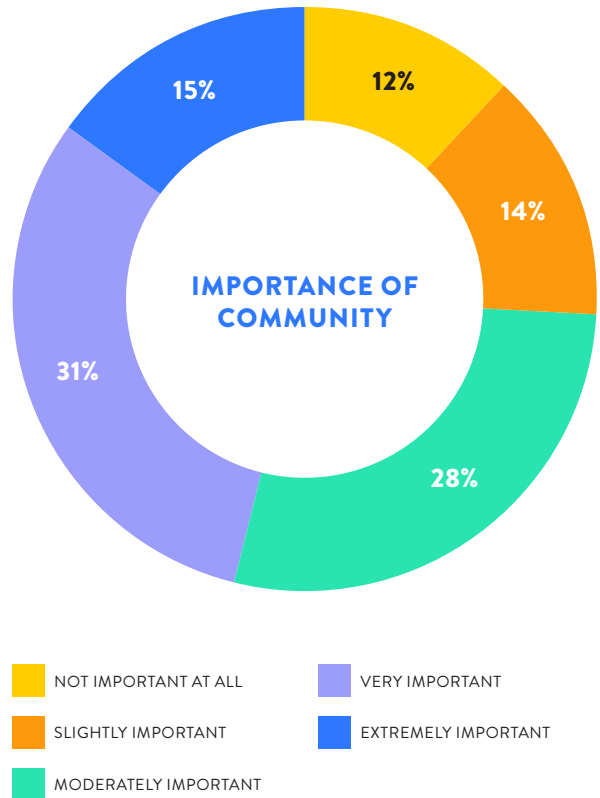
- Affordability of rent due to smaller “studio” spaces (42%) is the most significant factor.
- Community matters; their desire for a sense of community is the third top factor, closely followed by their interest in meeting new people.
- Interestingly, the second top answer was for the “ability to live alone” (38%). For many respondents the appeal of leaving a house share to gain some privacy via their own living space whilst sharing common spaces with their neighbours, is appealing.

WHAT FACTORS APPEAL TO YOU ABOUT THIS TYPE OF CO-LIVING HOUSING?



THE IMPORTANCE OF COMMUNITY IN HOUSING CHOICES

- On a scale of 1 to 5, the importance of community in housing choices shows a broad distribution. While 12% say it’s not important at all, 74% of respondents claim it’s either moderately, very or extremely important.
- Notably, those aged 25-34 are the most likely age cohort to mark community as “very important.”
- Regional variations exist, with the East of England prioritising community more than other UK regions. (88% vs 74%).



INSIGHT:

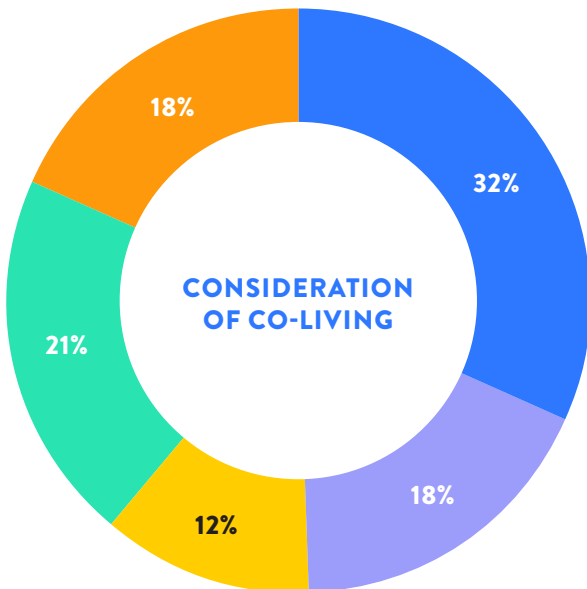
To align with renter preferences, developers could prioritise affordability without compromising comfort and the ability to live comfortably in a private “studio” space. Mastering the delicate balance between private and community spaces within co-living developments will enhance their appeal. Investors will benefit from looking at each of their development locations individually. Understanding the specific target audience in that location, as well as the existing local amenity, will help shape the product and service offer accordingly. A co-living space in West London will not be the mirror image of its cousin in East London.

INSIGHT:

Our research confirms the much-debated importance of community in co-living. Designing and operating spaces with a strong emphasis on community, fostering a sense of belonging and targeting the preferences of the younger demographic, will help to ensure an all-round successful asset. Looking at regional variations on the importance placed on various factors such as community, can help guide decision making.

CONSIDERATION OF CO-LIVING PROPERTIES:

- A third of all respondents would consider co-living properties, showcasing a significant potential market yet, showing that this type of living is not for everyone.
- Although the 55-65 year olds have the lowest consideration, we are surprised that almost 30% would consider it. This latent market of potential pied-a-terre seekers, divorcees and singletons, most likely with a youthful mindset, cannot be ignored.



- I WOULD DEFINITELY CONSIDER IT
- I WOULD PROBABLY CONSIDER IT
- UNDECIDED
- I PROBABLY WOULDN'T CONSIDER IT
- I DEFINITELY WOULDN'T CONSIDER IT

“45% of respondents would be more inclined to consider co-living if there were community events or activities organised within the co-living space”

INSIGHT:

Interest in co-living properties presents a lucrative market for developers and investors. Tailoring product, operating and marketing strategies to address a mindset and way of living that cuts across multiple generations, rather than focussing purely on demographics, will broaden the appeal.



SERVICES IN CO-LIVING DEVELOPMENTS

- Cleaning services (50%), coffee shops (47%), and additional storage (45%) are the most desired services.
- Dry cleaning/linen/laundry service (45%) and social spaces (44%) also garner significant interest.

PREFERRED CO-LIVING SERVICES



INSIGHT:

The demand for various services within co-living developments presents an opportunity for developers to enhance the overall living experience. Attractiveness of the development will increase by incorporating cleaning services, communal spaces and desired amenities relevant to that particular cohort and location. Taking the time to research preferences and then recognising the value of these services in driving resident satisfaction and consequently, the overall success of the investment, is key.



COMMENTARY FROM CONDUCTOR CEO CHARLOTTE CONSTANCE

“As we delve into the nuances of co-living preferences, our research confirms that community is a key driver for this type of living. Our data highlights regional variations and a resounding voice from the 25-34 age group, affirming its significance.

The factors renters find appealing about co-living paint a multifaceted picture with affordability, the ability to “live alone” and a desire for community emerging as critical drivers. Balancing privacy preferences further adds depth to the narrative. Prioritising affordability without compromising on comfort and striking a harmonious balance between private and communal spaces is key.

Our research is useful in that it solidifies some of what we already know about co-living and provides a good foundation for design and operations planning, yet our message to the industry is such; no two places are the same. Each site must be taken

on its own merits. Gaining a deep understanding of the local market and target audience is essential not only for strategic decision making but for gaining planning permissions too. Being clear on migration and affordability, needs and wants and attitudes and motivators of co-living renters, is essential from the outset.

Conductor’s bespoke methodology enables us to provide evidence-based advice to our investor and developer clients so they can strategically design co-living spaces that foster a profound sense of belonging and ensure a successful revenue generating asset, for years to come.

As the real estate landscape evolves, Conductor remains committed to providing data-driven consultancy services that shape the future of co-living, making it both appealing and accessible in a dynamic market.”



We would love to hear more about what you are up to, please reach out to us at charlotte@conductor.london, to understand the suite of Insight products tailored to each stage of your development cycle. We look forward to connecting with you!