



The New Kid on the Block

BPF Co-Living Report

October 2023

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Acknowledgements

This report has been completed due to the contributions of the BPF's Co-Living Working Group:

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1. Introduction

What is Co-Living?

Co-Living is the new kid on the block and the hot topic in the Living Sector. We said the same about Build-to-Rent (BtR) a decade ago, at a time when the market was still sceptical whether it was an asset class that would take off. We published several reports on BtR which sought to inform the market about the need for the product and the opportunities it provided to investors looking for stable and reliable returns. This report aims to do the same for Co-Living.

One of the challenges is what to call it. Some favour shared living, others compact living, the Mayor of London refers to Purpose Built Shared Living. We have adopted Co-Living which has become the most common term for the asset class.

A typical Co-Living development has good quality, imaginatively designed individual units with a floorspace that typically ranges from 16-27 square metres with a bathroom and basic kitchen facilities and access to communal

facilities including shared kitchens, living and working spaces. It provides private space for sleeping and personal tasks and larger, high quality shared space for other daily tasks.

Over the past decade, the housing market in the UK has seen a substantial shift, with ever-increasing private investment into BtR and Purpose Built Student Accommodation (PBSA). Changing demographics, work patterns, and the needs of individuals are creating real momentum for Co-Living as an important, emerging asset class.

This report, written by the BPF's Co-Living Working Group, aims to improve the understanding of Co-Living and is set out in three sections:

- The role of Co-Living in meeting housing demand
- Operation and management of Co-Living
- Planning and regulation of Co-Living



2. Meeting Housing Demand

The Role of Co-Living

The demand for rental property in the UK far exceeds supply. As of September 2023, SpareRoom data shows that in London alone there were only 10,833 rooms to rent, with 22,549 individuals searching for a room – a shortfall of 11,716. Trends suggest that this is only going to increase, and action must be taken now before the situation worsens.

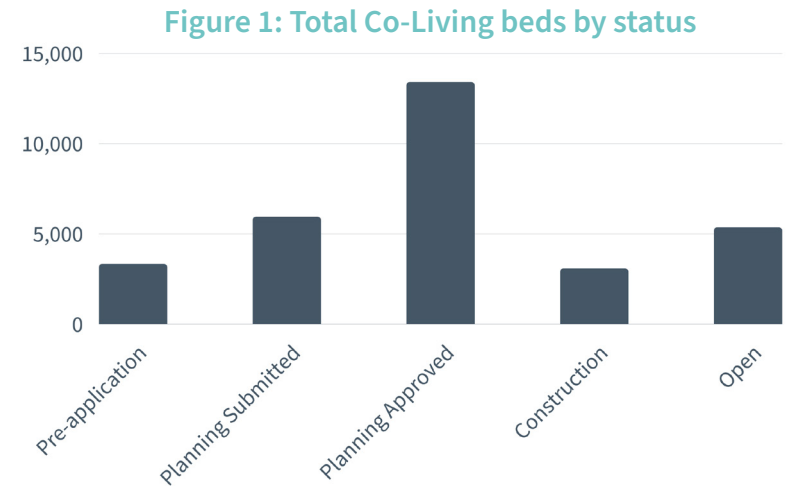
To meet the demand there will need to be a step change in the delivery of new homes but that delivery will need to offer a diversity of supply to provide genuine choice and to respond to the criteria that inform people’s decisions on the type of home they want and need.

Meeting Demand: Facts and Figures

Co-Living has a growing pipeline of developments in the UK. JLL data from June 2023 show that the UK has just over 31,000 Co-Living beds in operation and development (Figure 1).

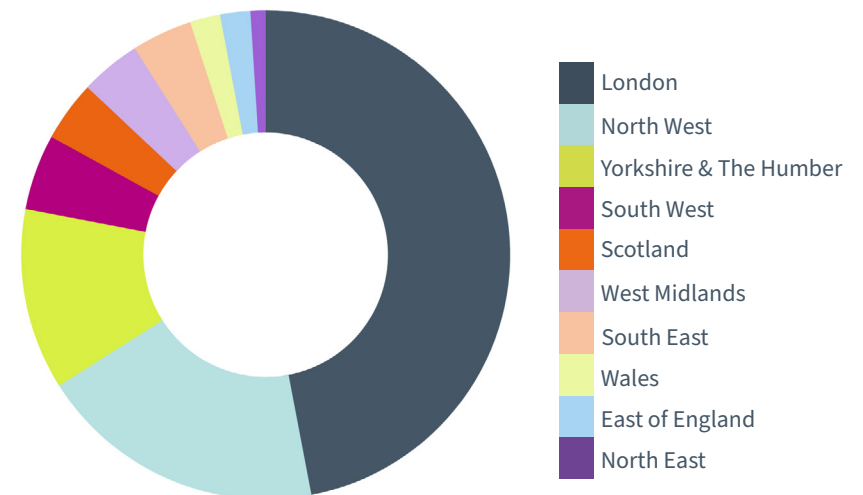
Developers, operators, and investors are looking to diversify their rental residential offer to meet tenant demand, and Co-Living’s USP and appeal to renters means that it is a growing part of this offering.

At present, demand for Co-Living is highly concentrated in London and major regional city centres (Figure 2). This is due to Co-Living’s ability to combine affordability with an excellent location.



JLL, 2023

Figure 2: Pipeline and operational beds by region/nation



2. Meeting Housing Demand

Why do Residents Choose Co-Living?

With growing affordability constraints and an increasing desire for many to live in an urban location with a sense of community, Co-Living is positioned to offer a more affordable, professionally managed housing choice to renters, an option that has not thus far been available.

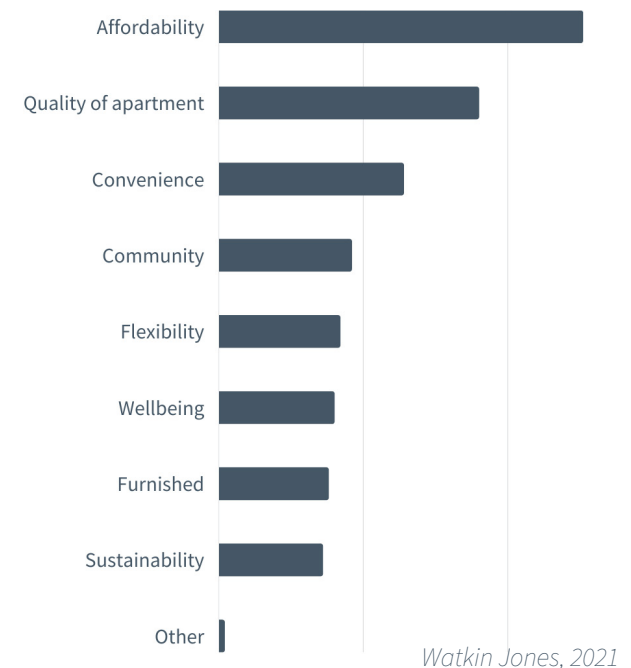
Data from Watkins Jones' 2021 survey of the factors that inform young people's rental decisions (Figure 3) shows that affordability, quality, convenience and community are key factors that renters look at.

These are all factors met by Co-Living at scale:

- It mixes smaller, private spaces with high-quality shared amenity spaces making it **affordable**, sustainable and economically viable.
- **Quality** comes through the design and specification and, while the individual units are smaller than for a typical BtR development, the innovative and effective use of space provide the private space people need.
- Co-Living schemes must be well-located and provide **convenient** access to public transport and amenities and facilities.

- Sharing amenity space with others is a key tenet of Co-Living and developing a sense of **community** is at the heart of the offering.
- Residents, investors, and the communities in which Co-Living exists believe that **sustainability** is of the utmost importance. Sharing resources and amenity space makes Co-Living more sustainable than individual living.
- Co-Living residents value **flexibility** in terms of tenancy length, what is included in their rent, and how they use their private and shared spaces.
- Society is increasingly **health and wellbeing** conscious and Co-Living has a role to play in providing schemes that enable residents to support each other and improve their overall wellbeing.
- Co-Living is an **inclusive** product and available to residents from a range of ages and backgrounds.

Figure 3: Most important factors when looking to rent



2. Meeting Housing Demand

Who Lives in Co-Living?

The target market for Co-Living is diverse, but Watkin Jones data from 2021 identifies some typical attributes of those who view Co-Living as one of their preferred housing choices:

- They do not own a home.
- They are typically single.
- They are from all walks of life but are typically professionals.
- Affordability is a key consideration.
- They walk and use public transport to get around.
- They have actively chosen to rent because of the convenience of doing so.

Co-Living offers greater housing choices for those unable to buy and who may not be able to afford the wider private rented sector (PRS).

House prices continue to make home ownership an unaffordable option for many people, which reduces opportunity for those wishing to live in cities close to jobs and amenities. This is especially the case for young individuals and first-time buyers.

By combining great location with affordability and excellent amenity offering, Co-Living enables many who would not be able to afford to buy or live in higher-price

point rental accommodation to live in the places they want, and therefore have access to the jobs and lifestyle they desire.

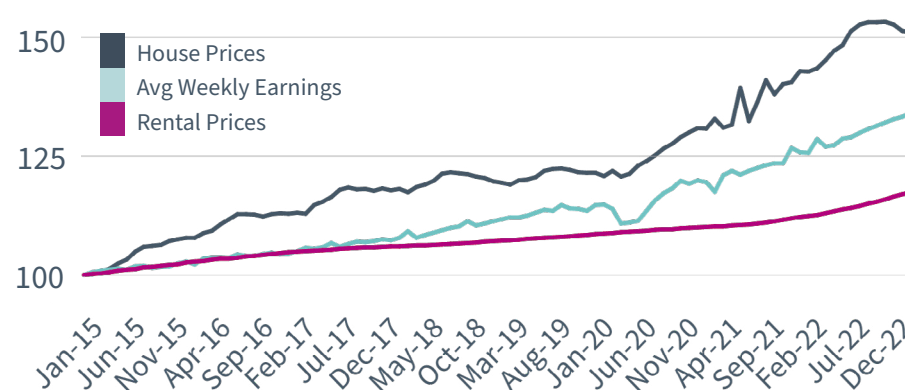
As shown by the table and graph below, in the current market rental accommodation is a better option for many people based on affordability.

Figure 4: House purchase affordability and PRS demand

Key stats	London	UK
Average first-time buyer deposit	£158,196	£60,718
Affordability ratio (median income to house price)	13.7	8.9*
Increase in number of PRS households (2011 - 2019)	31%	29%

UK Finance, ONS, Census, Experian, *England and Wales

Figure 5: Indexed growth



JLL, 2023

3. Operation and Management

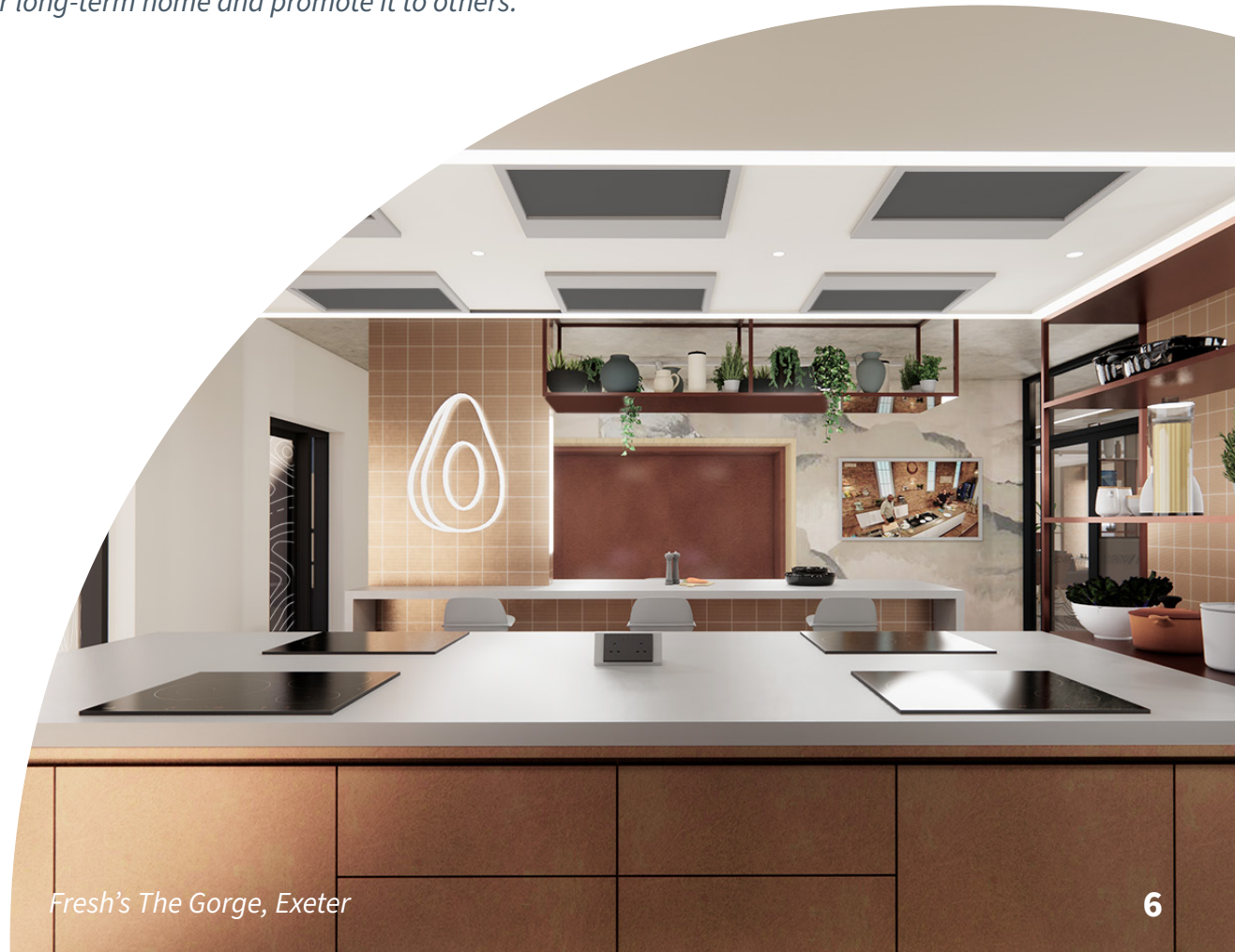
Management/Providers

Efficient and effective operation and management are hallmarks of a high-quality Co-Living development. Residents expect a high level of service that ensures homes and shared spaces are safe, secure, clean and good places to live and work. Residents desire high standards in the delivery of essential services, such as Wi-Fi, cleaning and waste management. Other services may also be provided, such as an on-site gym, which tends to be the most used amenity.

The managers of Co-Living developments also prioritise providing the great service to residents, as evidenced by the below quote from Joanna McShane, Senior Marketing Manager at Fresh.

“Co-Living properties are all about the social spaces. So, it’s important that they’re comfortable, well maintained and welcoming for residents, whilst offering multiple opportunities for the Residents’ Team to utilise them for community events.”

“The spaces should provide the ‘wow’ factor that impresses the resident every time they walk through the front door. By bringing residents together and giving them the opportunity to form friendships and have those ‘Instagrammable’ moments, they will see the property as their long-term home and promote it to others.”





Residents

Co-Living is attractive to a wide variety of residents but is perhaps most suitable for, and attractive to, people who are newly arrived in a town or city and want to find a quality home quickly; a home that provides them with the flexibility to stay for the long term or to move into the sale or BtR sector when the time is right.

It also suits people who value shared spaces and connecting with people. Entertainment rooms, lobbies and working spaces are larger than for BtR or owner-occupied developments, and encourage interaction with fellow residents, creating the opportunities to form friendships and to expand the resident's social network.

Resident Integration

Co-Living makes a greater contribution to the vibrancy of an area than a typical residential building with the design and use of spaces encouraging more movements to, from and around the development making for a livelier streetscape.

Residents may often be new to the city and in the process of discovering places to eat and play – supporting local restaurants, gyms, cinemas and other leisure facilities and being part of the community and contributing to the local economy in the same way as residents of traditional housing.

Case Study: Fresh's The Gorge

Investors, developers, and managers all recognise that a key part of the Co-Living offering is a sense of togetherness. Residents want to feel that they are a part of a community, sharing amenity space and integrating with the surrounding local area.

A great example of this is Fresh's new Co-Living scheme, The Gorge, located in Exeter. There is a gym on-site, as well as regular clubs and social experiences, which bring residents together and spreads that important sense of community.

The General Manager has also been engaging with the local community and businesses to ensure residents are integrated with the surrounding area and economy. They reached out to local hairdressers and beauty salons, who offered a 10% discount to residents at their stores, as well as coming to the development to provide services for residents there.

In addition, Fresh has also partnered with the local NHS trust to offer their staff quality homes. This has allowed key workers to be kept in the community near their place of work and, as the hospitals are within walking distance, reduce their dependence on cars and public transport. Other key workers have also been targeted, such as people in education or other parts of the public sector, to ensure that people working in Exeter are able to live in high-quality accommodation in their community.



3. Operation and management

Community Involvement

Co-Living schemes are professionally managed by investors who care about involving and bettering the communities in which they operate – for residents of the scheme, as well as those living in the surrounding area.

Providers encourage residents to connect with local businesses in the community and encourage them to shop locally. This not only supports the local community but reduces the overall carbon footprint of residents living at the property.

Co-Living developments can also enhance local open spaces by providing active frontages with cafes on the ground floor and meeting spaces that are open to all including the local community.

Case Study: Folk at The Palm House

An example of community involvement in action is Folk at The Palm House developed by Halcyon Development Partners and DTZ Investors. During the development stages a partnership was formed with local charity The Harrow Association of Disabled People (HAD). HAD seeks to promote inclusion and equality for all disabled people in all areas of life.

The partnership provides HAD with use of the on-site co-working space and the meeting facilities on a free of charge basis. HAD also use the building's communal spaces to promote their own fundraising initiatives and last year took over the entire ground floor to celebrate their 50th birthday. This was attended by HAD members past and present alongside the Mayor of Harrow and other key community stakeholders.

The partnership with HAD at Folk at The Palm House is testament to how co-living buildings can foster and promote wider community relationships.



Folk at The Palm House, Halcyon Development Partners

4. Planning

At a National Level

Planning authorities are in the early days of seeing the merits of Co-living and there is increasing recognition of its important contribution to tackling housing need, providing additionality and a novel tenure type. The London Plan leads the way with Policy H16 on “Large scale purpose-built shared living”. It supports good quality development that is under single management and includes adequate communal facilities. Units must not be self-contained, and the affordable housing obligation satisfied by way of a cash contribution.

In January 2022 the GLA (Greater London Authority) published consultation draft London Plan Guidance (LPG) on Large-scale purpose-built shared living which was widely considered to be too prescriptive in terms of the requirements for space and facilities. At the time of writing the GLA is working on a revised draft.

In the meantime, the GLA has published an LPG consultation document on Affordable Housing which proposes allowing Co-Living developments to provide

on-site affordable housing if it meets internal space standards, the viability test and tenure requirements.

At a national level, while the latest consultation draft of the Government’s National Planning Policy Framework includes a reference to the importance of ensuring policies are in place to meet the needs of older people including retirement housing and care homes, it does not include a reference to the importance of Co-Living in meeting a housing need.

We therefore recommend that the Department for Levelling Up, Housing and Communities provides detailed guidance on Co-Living in the National Planning Policy Framework and the National Planning Policy Guidance, as it has for Build-to-Rent.

4. Planning

At a Local Level

A significant problem outside of London is that there is somewhat of a policy vacuum. Boroughs have been slow to adopt policies on Co-Living and this is hampering the development pipeline, and reducing the choice residents have in terms of geographical location.

Many authorities rely on London's detailed guidance, which creates a problem as each individual borough and city across the UK is extremely unique from a resident and local culture perspective.

There are also political issues. Many councillors and planning committee members lack an understanding of what Co-Living is, and try to comprehend it as alternative form of C3 housing. Now there are good examples of Co-Living developments in operation, it has been helpful

for politicians to view developments to develop their understanding of the use including Folk at Sunday Mills which launched in Earlsfield in October 2022.

We recommend that local authorities should develop their own Co-Living guidance so that it is recognised as an asset that can contribute to local housing needs, to ensure effective delivery of the asset, and to ensure that Co-Living developments maintained the character of the local area.



Folk at Florence Deck, Halcyon Development Partners

5. Conclusions

This report serves to bring attention to Co-Living, to illustrate to members of the public and stakeholders that there is demand for the housing type, and that it can be a crucial tool in battling the housing crisis.

Needs

Much like Build to Rent, Co-Living can help contribute to the UK's housing need and alleviate the current housing crisis.

By catering to parts of the population which would otherwise struggle to find appropriate accommodation, Co-Living is an accessible and affordable option for many.

Operation

Operators and management of Co-Living developments understand what residents want; they actively seek to integrate residents into the surrounding communities, and they open up space for local community groups to use.

Planning

From a planning perspective, we understand the challenges that planners can have when approaching a relatively

new form of housing. In order to make sure that Co-Living continues to grow and mature, we believe that:

- The NPPF (National Planning Policy Framework) should provide active support for Co-Living schemes and require local authorities to include an allocation for co-Living schemes in their local plans.
- Local authorities should include policies supporting Co-Living in their local plans.
- Policies should not be too prescriptive and should allow the market broad parameters within which to bring forward Co-Living developments.
- Affordable housing policies should recognise that Co-living, in the same way as BtR, meets a different housing need than traditional C3 housing need and a reduced affordable housing offer should be required subject to a covenant that requires units to remain as Co-Living for a specified period failing which a clawback payment would be made.

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