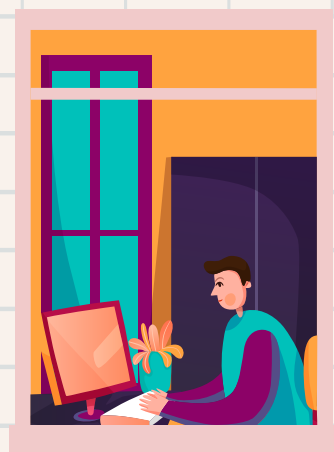
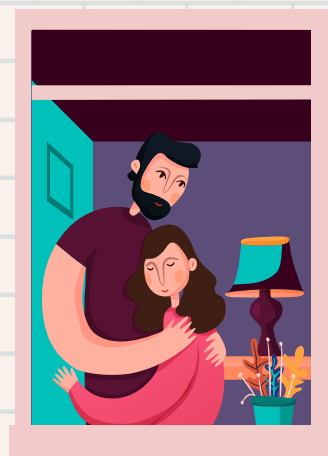
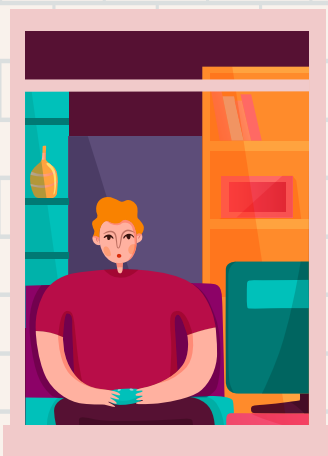
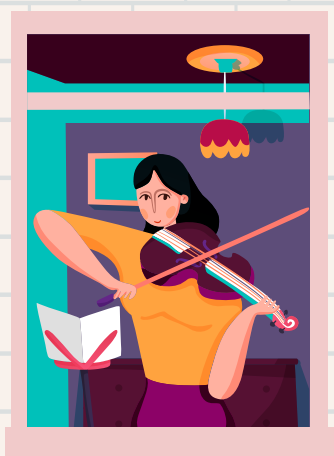


# Insights on Co-living : *An Asia-Pacific Perspective*



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## Foreword

The advancement of technology has led to the rapid growth of platforms that have improved our marginal social benefit by creating more efficiencies within our everyday lives. Within real estate, we have seen this phenomena with the advent of shared workspaces or co-working which is rapidly disrupting the traditional commercial real estate space. However, this wave of innovation has not stopped there and has started to seed itself into our living spaces with the birth of co-living.



### Community

The main unique feature that co-living differentiates itself from the other hospitality offerings is the development of the community while hotels and serviced apartments put a premium for exclusivity, privacy and self-sufficiency within the room. The fostering of a community-centred environment will encourage the collaboration of knowledge and ideas, fill the emotional needs of the well-travelled modern professional, and provide the opportunity for the expansion of their network with other like-minded individuals.

*Going forward, this co-living trend is expected to grow given the lack of affordable housing within key cities and the rapid expansion of the gig economy in an ever-changing economic landscape; serving as an alternative to bridge the existing housing gap.*

Amid changing lifestyles and stratospheric housing prices across the world, co-living has gained substantial traction within the property market as an alternate flexible accommodation option. This modern form of urban housing is not a new concept, with other forms of shared spaces already in existence; e.g. hotels, serviced apartments, hostels etc. Building upon a similar model, co-living innovates by providing a curated social environment that builds upon the community via three distinguishing characteristics.

### Shared Spaces

Co-living provides communal spaces through shared kitchens, living rooms and lounges. These spaces are usually designed with their tenants in mind to encourage interaction. Several co-living operators also offer workspaces by integrating co-working elements into their living spaces and providing a holistic live, work and play lifestyle.

### Events

In order to encourage a well-balanced lifestyle and cultivate positive relationships among their tenants, co-living operators organise social and professional events which range from networking sessions, professional talks, lifestyle and fitness events.










# Cities Ranking

Asia-Pacific has been one of the most dynamic economic regions in the world, with a range of established gateway cities, financial and technological hubs to emerging markets making their economic marks. However, while the region is expected to continue witnessing rapid economic expansion, the opportunities for co-living to thrive however varies across cities; depending on their competitive advantages and constraints.

To distinguish this potential, we examined six key attributes that we believe are likely to contribute to foster the growth of co-living within each Asia-Pacific city. Through these attributes, we will next explore specific opportunities for co-living within a few selected key cities.

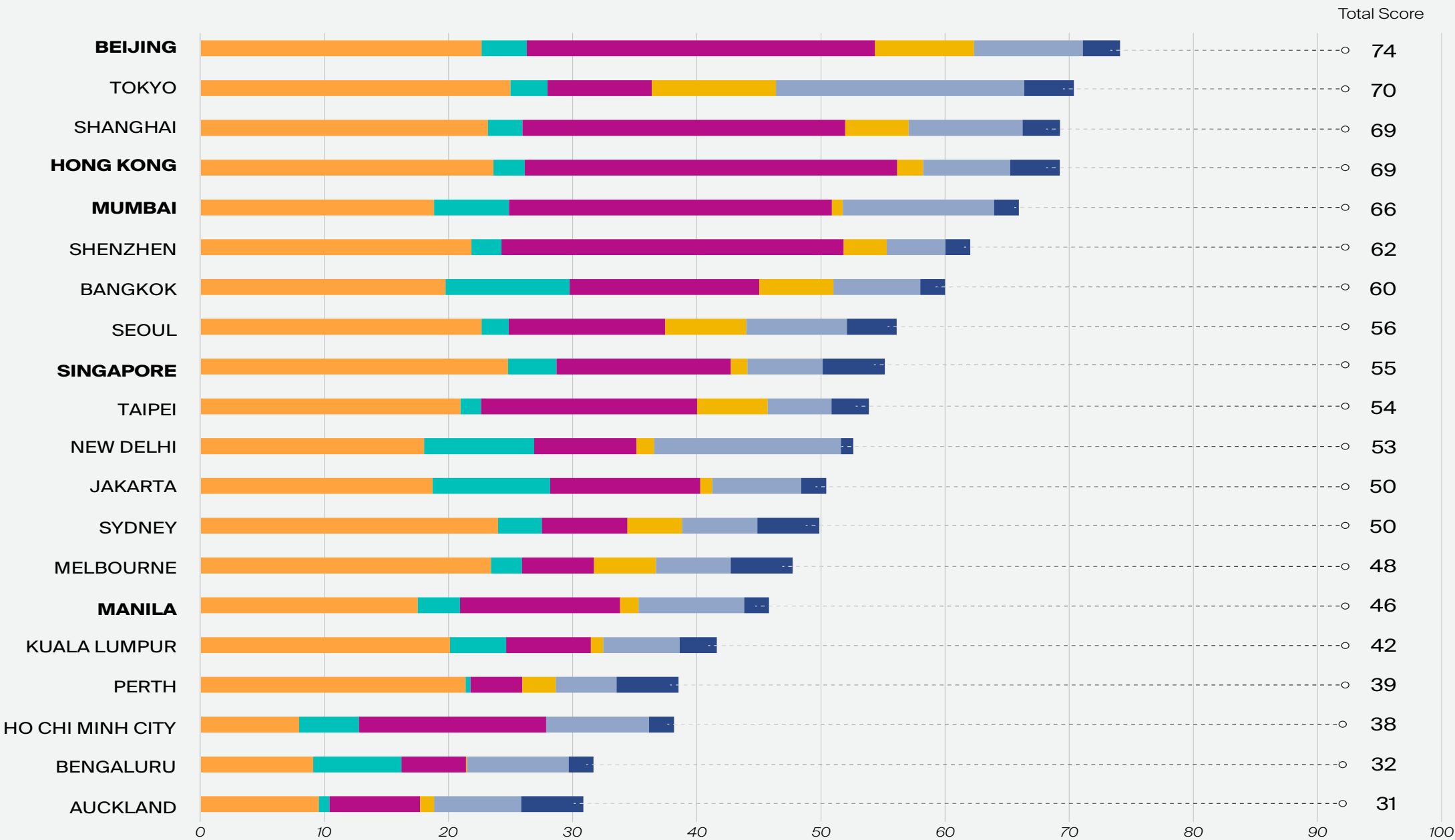


The six attributes are as follow :

-  **Tech & Financial Hub**
-  **Venture Capital Deals & Growth**
-  **Housing Affordability**
-  **University Population**
-  **General Population & Human Development Index**
-  **Quality of Life**

These six attributes have been allocated different weights based on their relevance and importance which in summation provides us with a metric to quantify the magnitude of co-living's likelihood of success across the various Asia-Pacific cities.

While the study covers twenty major Asia-Pacific cities, the report will highlight five examples from the region given their various stages of development and economic significance; these are Singapore, Beijing, Mumbai, Manila and Hong Kong.







# Metrics

## TECH & FINANCIAL HUB



Major financial and technological hubs are the two largest drivers of job creation globally. These hubs provide not only access to talent but also a conducive and self-sustaining business environment. With the increasing relevance of the gig economy, it is critical for co-living operators to recognize cities that would potentially attract a substantial pool of digital nomads.

To identify cities most likely to have a sizable gig economy presence, we analysed two indices namely the Innovative Cities Index and The Global Financial Centres Index, with the higher scores in each respective indices indicating a city's standing as a financial and technological hub. Unsurprisingly, from these indices the major global cities of New York, London, Singapore, Tokyo and Toronto consistently ranked in the top ten across a pool of over a hundred cities. These global gateways have been beacons of economic growth over the years with an evergrowing talent pool which requires housing; an opportunity for co-living operators to capitalise on.

## VENTURE CAPITAL DEALS & GROWTH



Having accounted for the concentration of job supply from our hub attribute, we next take into consideration the quality of jobs available and its rate of growth; focusing particularly on the technology sector. To do this, we looked at the rate of start-up growth across the Asia-Pacific region by accounting for the total number of venture capital deals concluded over two distinct three-year periods; 2010 to 2012 and 2015 to 2017. We next blended the growth rate of venture capital deals to the actual number of venture capital deals concluded in the 2015 to 2017 period. From the results, Bangkok emerged top with a 622% period-on-period growth and sixty five venture deals concluded in the latter period.

## HOUSING AFFORDABILITY



Housing affordability poses as one of the leading factors in assessing co-living demand. With housing prices consistently rising in many cities, an increasing proportion of housing demand has shifted into the rental market. To account for the affordability attribute, we compared the house price to income multiple across the various cities; with the factor being the city's median housing price compared to its median household disposable income. A higher multiple would indicate generally lower home affordability rates. Not surprisingly, Hong Kong and Beijing emerged as the top cities with the highest multiples.

Within these cities, the increasing cost of housing has pushed many to consider alternative lower-cost accommodation options and this presents co-living operators an opportunity to cater for this growing demand.

## UNIVERSITY POPULATION



We next took into consideration the size of a city's undergraduate population which will form as another significantly large pool of talent for local employers to tap into. With much literature on wages having stagnated over the past few decades while asset prices continue to rise, fresh graduates looking to find employment options within the major Asia-Pacific markets would generally be expected to struggle finding suitable accommodation that would meet all their expectations (e.g. price, location, convenience, amenities, safety); a demand niche co-living could potentially fill. The undergraduate population for each city was calculated by summing the total student population of university's ranked within the latest Times Higher Education World University Rankings.



## GENERAL POPULATION & HUMAN DEVELOPMENT

### INDEX



The size of the city's population is the next attribute we consider as a key demand driver for the co-living sector given the "city primacy" effect. The theory states that a primate city is the largest city within a country that is at least twice the size and significance of its next largest domestic peer. This primate city will generally continue to grow by attracting both internal and external migration of capital and labour. One example is Bangkok which is over forty times larger than Nonthaburi, Thailand's second biggest city, by population size.

Lastly, we blended the population factor with the city's human development index given its measure of overall life expectancy, education level and income per capita. The theory is that a population which has satisfied most of Maslow's basic needs will be more receptive to new forms of non-traditional accommodation such as co-living.

## QUALITY OF LIFE



A city's quality of life plays a key role in not only attracting but retaining talent. In a world where globalization and changing demographics are increasingly prevalent, it is imperative and cost-efficient for business to retain their talent.

In order to assess cities with the greatest potential of attracting and keeping quality talent, we adopted Mercer's recent quality of living survey which ranked over two hundred cities. The results showed that Singapore ranked the highest among the Asia-Pacific cities, corroborating with many literature that have cited the city as one of the world's most attractive destinations for talent.



# City Highlights

## SINGAPORE

### Superstar City in Southeast Asia

Singapore is a well-established regional financial hub in the Asia-Pacific, and its technology sector has been growing steadily on the back of the Singapore government's probusiness initiatives. Singapore has a deep pool of skilled labour, and its steady stream of labour is supported by established universities that are among the top within the region. For instance, the QS World University Rankings 2019 ranked National University of Singapore as the first in Asia, while The Times Higher Education World University placed the university first in the Asia-Pacific.

The city continues to attract top talents from the region and draw multinational corporations to set up the regional headquarters. Besides the likes of Uber, Facebook and Google, notable corporations that recently set up their headquarters in Singapore included NTT, the international arm of Japanese telecommunications firm NTT Group, and BT, a British IT service provider, among others. To facilitate the growth of the technology firms, the government announced the new Tech@SG programme in July 2019. The programme will provide more manpower flexibility in Employment Pass applications if required.



The Singapore start-up scene also become more vibrant. Venture investments into Singapore-based companies by corporations have grown at a compounded 29.7% annually since 2014 to US\$1.02 billion in 2018, according to the Singapore Venture Capital and Private Equity Association.

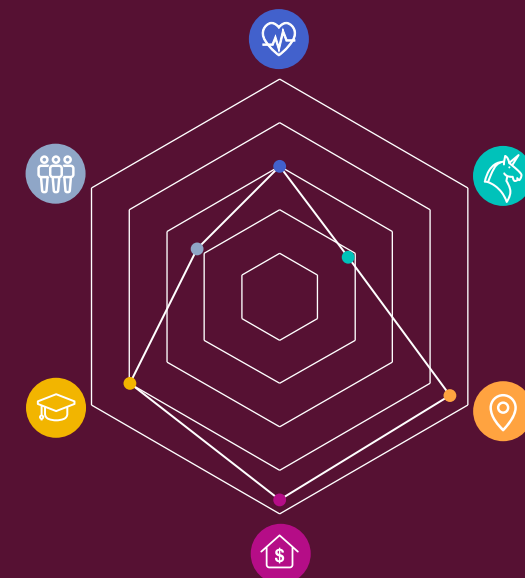
Co-living will be a major draw to expatriates coming to Singapore to work due to its community, social events organised by the operator, and the opportunity to mingle with other like-minded individuals. However, the growth really picked up after the relaxation of minimum rental periods for private homes from six months to three months in June 2017. With the economies in Southeast Asia becoming more integrated, Singapore, being a regional hub, will be a magnet for digital nomads that work in the neighbouring markets. We anticipate co-living to grow sustainably in the next two to three years at least.

## BEIJING

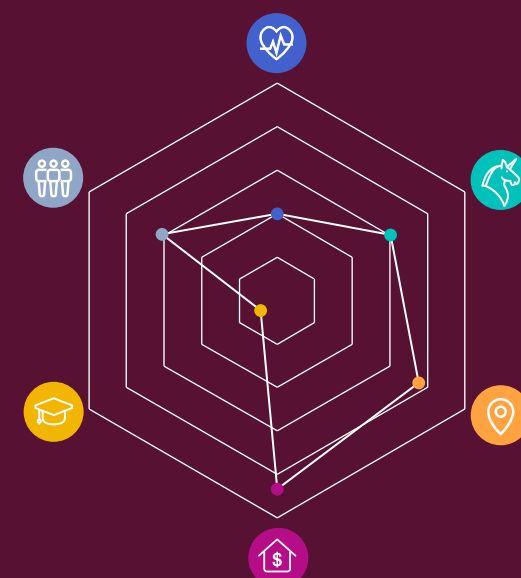
### Still a Big Pie

Across the Asia-Pacific, China's co-living sector is one of the most developed having started since the early 2010's and with the backing of the government who is actively looking to boost its supply of rental housing and cool down its rising home prices. Furthermore, an increasingly mobile workforce presents a challenge for the country's major cities, such as Beijing, as they face continued migrant population growth; Beijing currently has 13.5 million official residents compared to around 8.0 million migrants.

Despite a long line of co-living operators within the city, both third party and developer subsidiaries, the pie is still big enough as Beijing continues to remain a key entrepreneurial hub for China due to its supportive ecosystem; 66 of China's 151 unicorns originated from the city. One major sub-market is Zhongguancun which is currently home to over 9,000 high tech firms and is surrounded by incubators, venture capitalist and large corporates on the look out for the next unicorn. Couple this with the city's 340,000 undergraduate population estimate, home purchase limits and low housing affordability rates; a relatively affordable rental model such as co-living is expected to be well in demand.



## MUMBAI



### A Financial Hub with Vast Opportunity

Based on the Census 2011, a government survey, an estimated 28% of households in urban India are living in rented dwellings, of which 70% fall into the informal category with no proper rental contracts in place. One main reason for this is that various states follow their own version of the archaic Rent Control Act and as a result many landlords and tenants are unaware of their obligations, rights and legal recourse in the event of disputes. There have been efforts in the past by the housing ministry to provide a legal tenancy framework, but we are yet to see any being finalized. As a result, the rights and responsibilities between landlords and tenants are not balanced and a rental housing eco-system in the country is yet to take shape.





The situation is even unfavourable for the young working professionals as landlords tend to be biased against them for fear of commotion, damage, rental payment delays and their relatively shorter periods of stay. Singles migrating to new cities often have to deal with difficult landlords who put forth strict conditions often relating to lifestyle preferences as conditions for granting the lease. Furthermore, there is also the risk of renting out illegal premises that are not compliant with safety or planning guidelines and tenants are faced with the risk of untimely evictions. As a result, many tenants are often forced to finding accommodation far away from their work or universities, or resort to shabby living standards (e.g. unhygienic living conditions). As a result, this demand and supply mismatch is a

ripe opportunity for the co-living sector. Across all the major Indian cities, Mumbai stands out as the city offering a vast growth opportunity for the co-living sector given its potential for creation of job opportunities in the financial sector and low housing affordability. These two are the most significant factors cumulatively accounting for 55% weightage as per our metrics. The venture capital deals in Mumbai also spiked up by 288% between 2015 and 2017, a significant factor accounting for quality of job creation. Lastly, Mumbai's large population provides a lot of scope for market penetration by domestic co-living operators as their footprint is still low given their focus has been mainly on Bengaluru and other cities so far.

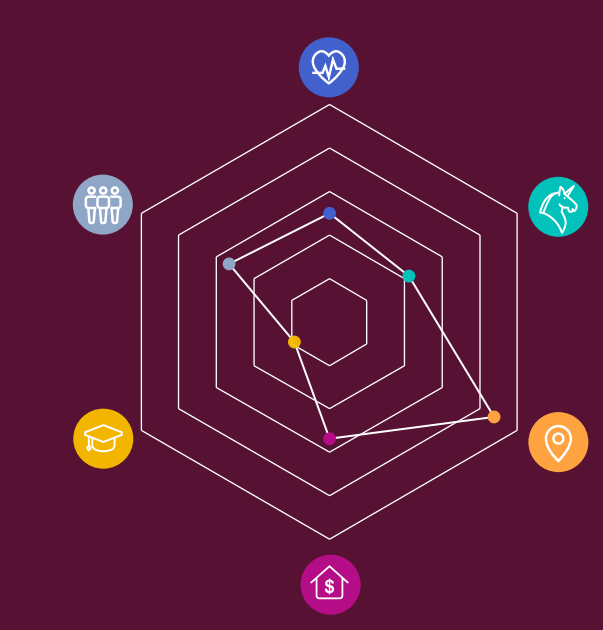
Major Co-living Operators in India and their Footprint

Source : Co-living : Rent a Lifestyle report by Knight Frank India

Name	City of Origin	Year Started	Footprint	Number of Beds	Expansion Plans	Occupancy Rate
CoHo	NCR	2015	NCR	2,500+	To expand to top 8 cities of India over next 12-18 months and to have 10,000 beds by end of 2019	Occupied at more than 90%
CoLive	Bengaluru	2016	Bengaluru, Chennai, Vellore and Coimbatore	8,000+	To venture into Hyderabad and continue expansion in Bengaluru and manage 50,000 beds or 10 million sqft under management by end of FY2020	Currently occupied at more than 85%
Homigo	Bengaluru	2015	Bengaluru	500+	To venture into cities like Hyderabad, Pune and Chennai	Occupied at 86% across all its properties in Bengaluru
Square Plums	Bengaluru	2016	Bengaluru	1,000+	To launch its services in cities like Chennai, Pune, Hyderabad, Mumbai and Delhi	Currently occupied at more than 80%
Stanza Living	NCR	2017	NCR	2,000+	To launch its services in Pune, Jaipur, Hyderabad, Bengaluru and Indore	Occupied at 90% across all its locations
Stay Abode	Bengaluru	2016	Bengaluru	750+	To venture into cities like Pune, Hyderabad, Chennai and Mumbai	Currently 95% occupied
Zolostays	Bengaluru	2015	Bengaluru, Pune, Chennai, Kota and NCR	10,000+	To expand to around 50,000 beds by end of 2019 and venture into Mumbai and Hyderabad	Occupied at more than 80% across all its properties

MANILA

Filling the Gap and Minimising the Hassle



The Philippines currently faces an imbalanced housing supply situation where there is an estimated backlog of 6.0 million units from 2011 to 2015, mainly in the affordable segment, while there was an excess of about 250,000 and 310,000 built high and mid end homes; both of these are mostly located within Metro Manila. Furthermore, the affordability gap continues to widen with new condominium prices in Manila rising 11.6% year-on-year in H1 2019, which is starting to price out the young working professionals looking to live within the city and near their workplaces given the notorious traffic conditions within the city.

One major driver behind the strong price increase in recent years has been the proliferation of Philippine offshore gaming operators (POGO), mainly of Chinese origin, in Manila which has been a major boon for the residential market. At the end of 2018, there were 56 licensed POGOs compared to 36 back in 2016, while Chinese work permit holders numbered at around 110,000; nearly quadruple compared to 2016. This surge in mainland workers has led to many investors rushing to snap up homes, often multiple units at a time, to lease out to them as accommodation.



Looking at the market, there are two opportunities we believe co-living could fulfil within Manila's residential market. First, with housing prices expected to keep purchasing relatively unaffordable for its young working demographic, co-living will present a relatively more affordable housing option with potentially better amenities (e.g. proximity to transport or workplace). Next for investors, especially those with multiple properties, co-living operators could potentially provide an intermediary service between landlords and its tenants, especially from the rapidly expanding POGO sector, which would reduce the management hassle (e.g. language barriers, bilingual contracts, tenant responsibilities).

With Manila's economy expected to continue its rapid expansion over the coming years and the continued growth of its offshore gaming sector, the city will continue to be a source of jobs within the country and a magnet for its young working population; ripe conditions for the co-living sector to thrive.

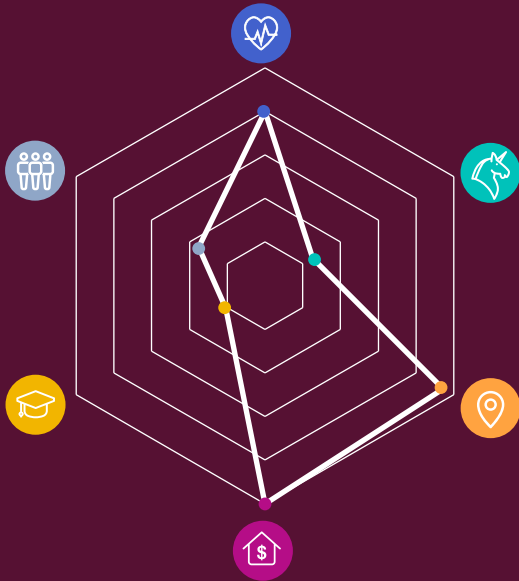
HONG KONG

Capturing the Institutional Investors' Attention

As Hong Kong's co-working sector matures, the industry has branched out from offices into entertainment and hospitality as more people realise the benefits of shared space, such as more interactions and more diversity. Hong Kong's residential sector, ranked amongst the most expensive in the world, has similarly seen some early movements joining the global co-living trend.

While the co-living sector is still at a nascent stage, established value-add real estate players such as ARCH Capital and Warburg Pincus have capitalised on the opportunity by being one of the industry's first movers. ARCH Capital's Oootopia currently has 105 rooms across its portfolio with

plans to grow to 355 rooms by the end of 2019. Weave Co-Living, backed by Warburg Pincus, currently has at least 260 rooms across its 3 properties and has plans to grow the portfolio to 10,000 rooms both locally and across the region by 2023.



Looking Forward

While not entirely exhaustive, we believe this report would serve as a first step in demystifying the major success factors the co-living sector would likely hinge on. Moreover given its niche offering, the level of success from these factors will indefinitely vary across the Asia-Pacific's uneven socio-economic and cultural landscape. Co-living, like any new disruptor, will need time to find its footing and place to co-exist with other existing forms of residential real estate currently available to consumers.

Nonetheless, as technology continues to shape the way we live, so too will it shape our living environment; with co-living at its forefront.



Insights on Co-Living: An Asia-Pacific Perspective.

Methodology

Metrics	Unit	Weightage	Source	Year
DEMAND FACTORS				
Housing Affordability	Median Price to Income Ratio	30%	Numbeo	2019
University Population	Persons	10%	Times Higher Education	2019
General Population	Persons	16%	Macrobond	2018
Human Development Index	Index	4%	Macrobond	2018
SUPPLY FACTORS				
Financial Hub	Index	12.5%	Long Finance	2019
Technological Hub	Index	12.5%	2thinknow	2018
Venture Capital Deals & Growth	Growth (%) and No. of Deals	10%	PitchBook	2017
CITY ATTRACTIVENESS				
Quality of Life	Rank	5%	Mercer	2018

Disclaimer:  
The Co-living Index created as part of this report has been developed using reliable and internationally recognised data sources. The index is classified into six categories: Tech & Financial Hub, Venture Capital Deals & Growth, Housing Affordability, University Population, General Population & Human Development Index, and Quality of Life. The values within each category have been normalised to ensure the resulting figures are comparable and contextualised for this study. All categories are assigned with specific weightings in accordance with their potential significance as a growth driver.

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