The Co-Living Report

2025

Knight Frank's review of the performance and opportunities in the co-living market

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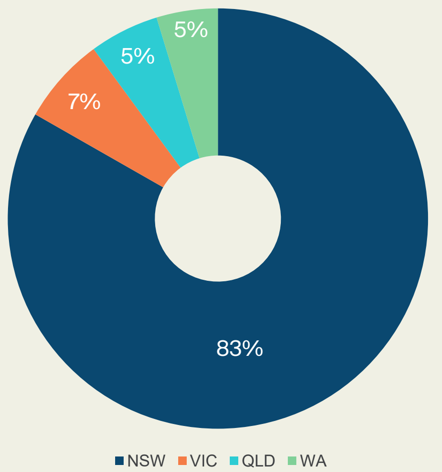
UKO Alexandria, NSW

SUPPLY ACCELERATES

Co-living disrupts the status quo

From niche and misunderstood to the cool new kid on the block, co-living has established itself in Australia as a genuine alternative to traditional housing types. The total number of operational co-living units has now surpassed the 2,000 unit mark as the sector's emergence continues at pace. A further 4,159 units are currently under construction or have development approval, whilst 3,647 are in planning or proposed, taking total supply to just over 10,000 units.

Australian Co-Living Pipeline
By state, % share of total completed, under construction and planning units



Source: Knight Frank Research

SYDNEY DOMINATES

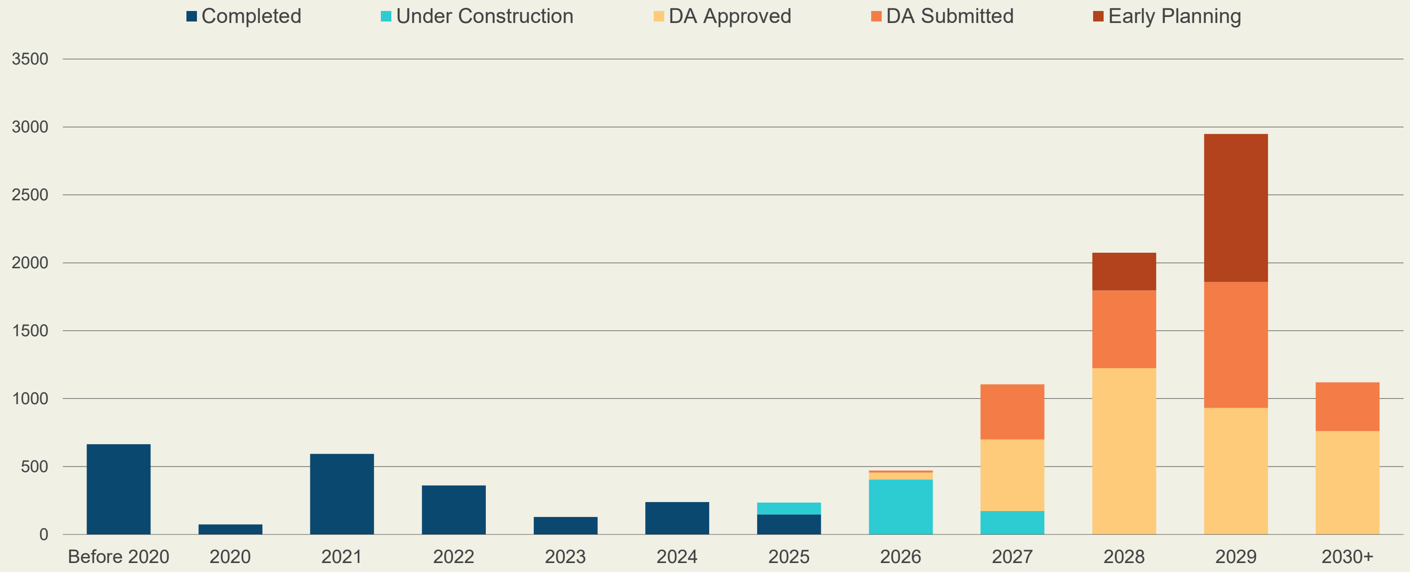
Sydney is the bellwether for the asset class in Australia, accounting for over 90% of completed schemes nationally. This trend is notably different from the Build-to-Rent sector, where Melbourne has emerged as the dominant force.

Whilst the macro drivers underpinning the demand for co-living are present across the country, New South Wales has benefited from a clear and supportive planning pathway, providing certainty for both investors and developers. The reverse is true across other states where co-living currently lacks recognition at policy level.

In addition, Sydney's land market is highly constrained and the efficient nature of the co-living model unlocks sites where lower-density housing options are not feasible. An established operational base of first generation assets has also provided proof of concept and cemented Sydney's competitive advantage when it comes to attracting capital to fund new development.

Despite a more uncertain path to market, co-living is beginning to gain traction in other states as first movers enter the sector. In total there are approximately 1,110 units in the development pipeline across Victoria, Western Australia and Queensland – this represents progress but is still a relatively small figure that highlights both the nascent stage of the market and the opportunity for growth. We anticipate a further acceleration in the overall pipeline in 2026 as developers respond to growing tenant demand for this product type.

Australian Co-Living Pipeline
By development stage, units



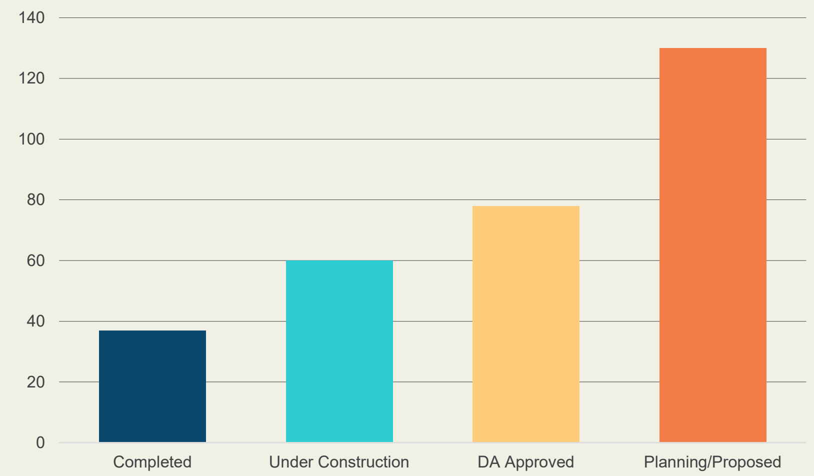
Source: Knight Frank Research

APPETITE FOR SCALE

Delving further into the pipeline shows another clear trend – schemes are getting larger. On average completed schemes have 37 units, rising to 60 units for schemes under construction and to 78 units for those with development approval. This jumps again to an average size of 130 units for projects either in planning or proposed. This is a trend we have seen emerge in other international markets that are further along in the growth curve; larger investors have entered the market seeking scale, which drives economies of scale for example around operational efficiency and deal size. This also allows new platforms to aggregate meaningful portfolios more quickly.

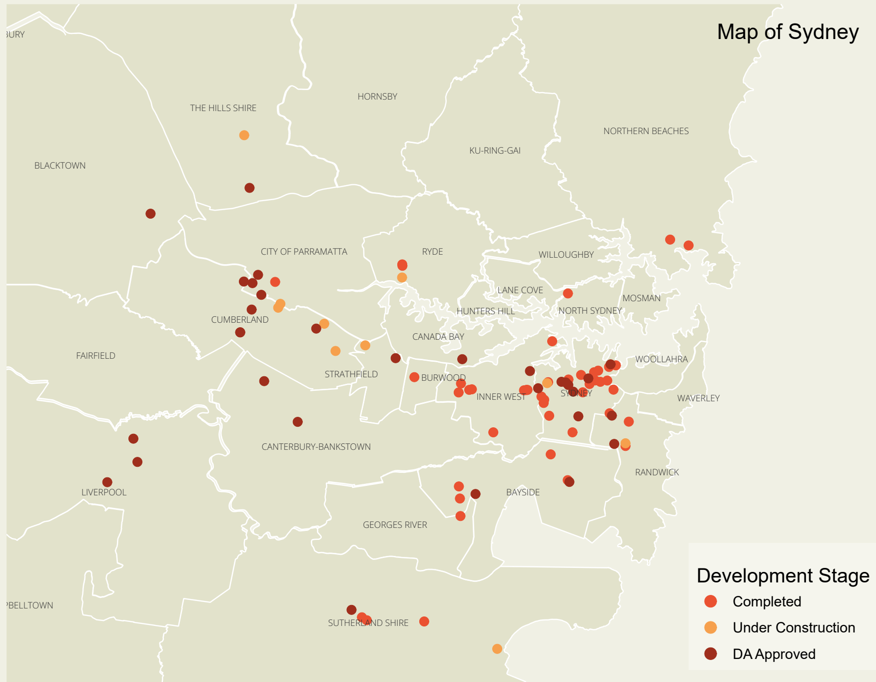
First generation assets have been crucial in this regard, laying the foundation for larger developments to come through by providing a host of operational data around rents, occupancy and operating expenses. The strong performance of stabilised schemes has demonstrated the depth of demand for co-living and provided investors with confidence that larger scale projects will be absorbed by the market quickly.

Co-living development scale
Average number of units by development stage



Source: Knight Frank Research

32%
of schemes are over 100 units



Total co-living pipeline sits at over 7,800 units nationally

LOCATION & LIFESTYLE

The success of co-living in Sydney has shown that tenants are happy to compromise on private space in return for location and lifestyle. Co-living developments are typically situated within densely populated urban areas with good access to existing amenity, transport links and employment. This has been the case in Sydney where many early schemes have been delivered across supply-constrained inner suburbs.

Co-living provides an entry point into popular rental locations and at the same time offers a lifestyle not available elsewhere; hassle free studio living with access to a community, amenities and professional management.

UNDERSTANDING DEMAND

The broad appeal of Co-living

Data from completed schemes operated by UKO demonstrates that co-living appeals to a broad demographic. As expected co-living is popular amongst younger age groups with almost 90% of tenants aged between 20 and 40. Breaking this down further, the 20 to 30 year age group dominates accounting for 72% of tenants. Interestingly around 1 in 10 tenants are aged over 40 which shows that co-living attracts a diverse age profile.

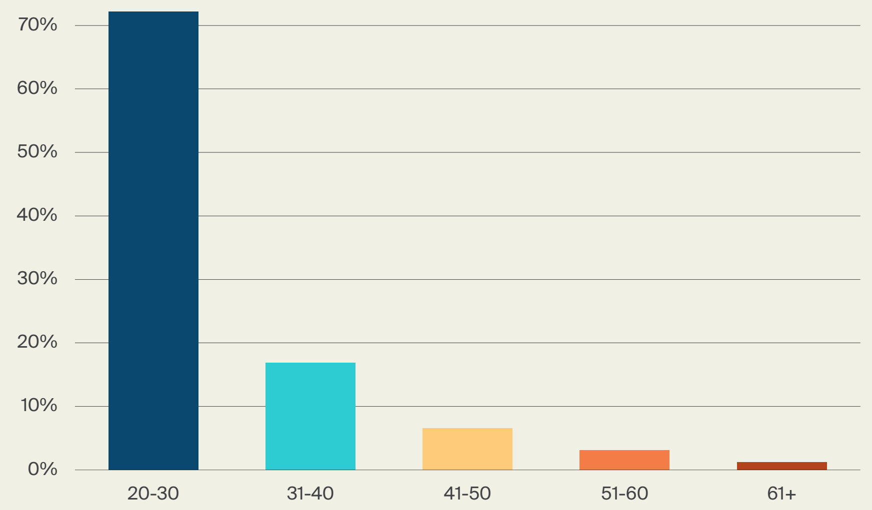
The analysis confirms that the primary driver for co-living is from young, working professionals, with just over 60% employed across a wide range of sectors. Depending on scheme location and proximity to universities, students often form the secondary segment of the tenant base. Co-living is well placed to capture demand from postgraduates for a combination of reasons which include:

- A comparable rental and amenity proposition which matches the typical needs of students;
- A shortage of PBSA options in the area with co-living absorbing overflow demand for those seeking alternative accommodation;
- An older, mixed demographic providing a rounded living experience which may appeal to postgraduates that are not necessarily looking for dedicated student housing;
- Flexible lease terms that may not be available within competing PBSA stock; and
- Larger unit types and rents that are often more affordable than comparable PBSA.

Analysis of nationalities shows that demand from the domestic market is strong, accounting for approximately 47% of the tenant mix. A large cohort also comes from Asia, drawn in by co-living's all-inclusive product which allows for a stress-free move and is well-suited to a more transient tenant, including postgraduates. A notable level of demand is being driven by Europe which will include digital nomads and those relocating to Australia or visiting for extended periods of time.

Co-living age profile

% share of tenant age groups



Source: UKO, Knight Frank Research

31%

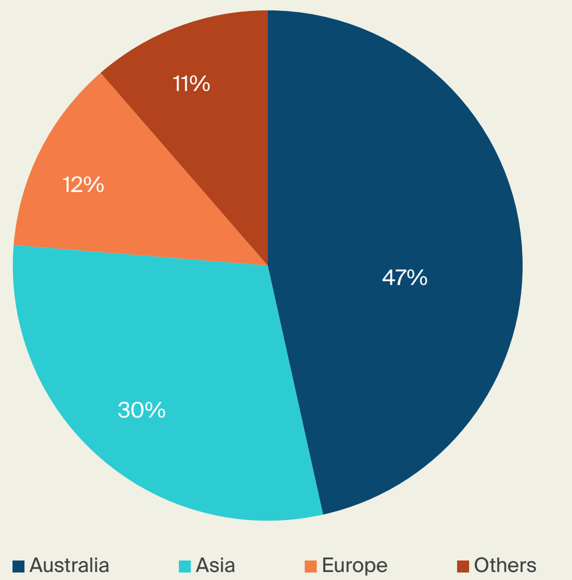
of the tenant pool are students

47%

of the tenant pool is domestic

Co-living tenant nationality

% share of tenant nationality



Source: UKO, Knight Frank Research

AFFORDABILITY IS KING

The affordability of co-living is often underestimated because of the all-inclusive model. Rooms are fully furnished, utilities are bundled into the weekly rent, and residents benefit from shared amenity spaces that deliver convenience and value for money. There is no need to purchase furniture or whitegoods, removing a significant upfront cost for tenants.

Our analysis of completed developments in Inner Sydney demonstrates co-living's relative affordability, with average starting rents of just $675 per week. In comparison, a privately leased apartment averages $730 per week, and once utilities and furnishings are added, the like-for-like cost typically rises to an estimated $880 per week. Student accommodation, driven by strong international demand, averages $780 per week for a studio. Against this backdrop, co-living stands out as an affordable alternative and amid sustained cost of living pressures, the studio price point is accessible to a wide segment of the rental population.

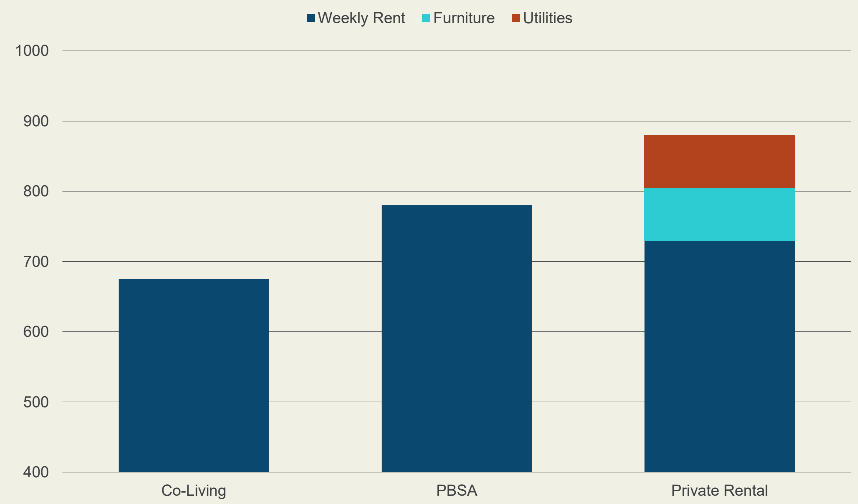
UNHERALDED FLEXIBILITY

Whilst adjacent living sectors share similarities to co-living, the flexible nature of the occupancy truly differentiates the model from other housing options. Co-living bridges the gap between short stay accommodation and traditional long stay residential apartments, with lease terms starting from 3 months. This is the most popular entry route with around 38% of tenants signing an initial contract for a length of 3 months, slightly above the 35% signing on for 6 months. A quarter of tenants opt for 12 months or longer which confirms that co-living is not just a medium stay product. Many tenants who begin on shorter terms also extend their stay, resulting in an average tenure of 9 to 12 months.

Outside of co-living, options for medium length stays are scarce and often command a premium. In an increasingly transient occupier market, characterised by shifting lifestyle preferences and embedded working from home routines, co-living is well placed to capture future demand.

Inner Sydney rental comparisons

Weekly studio rent for co-living & PBSA, median market rent for private rental
Additional costs incl. utilities and furniture

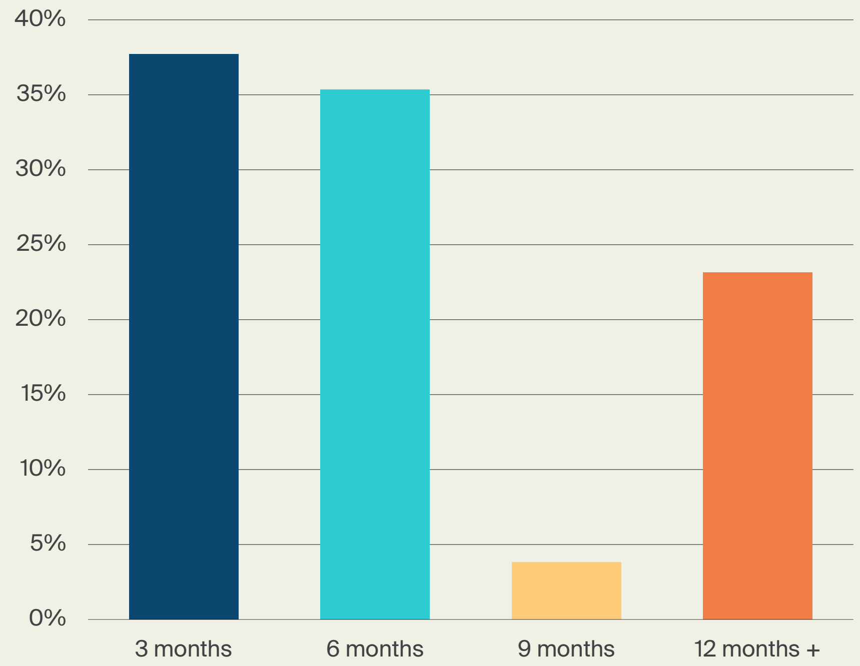


Source: Knight Frank Research

Co-living presents as an affordable product when compared to the private rental market and alternative accommodation solutions.

Co-living initial contract length

% share of tenant's initial contract length



Source: UKO, Knight Frank Research

CAPITAL CHASES CO-LIVING

Co-living best placed to bridge the feasibility gap

Co-living has emerged as a distinct asset class within the living sectors ecosystem and is attracting increasing interest from investors. Over the past two years, meeting feasibility thresholds has been challenging across the living sectors, but co-living has weathered the storm and in many cases developers have found it easier to proceed with co-living schemes rather than larger format and larger scale Build-to-Rent or Build-to-Sell developments.

This is due to a combination of factors, including smaller scheme sizes, less land required and higher rental rates per square metre. With bond yields settling above 4.00%, the bar that real estate is assessed against is higher than it was previously, and a product that is highly efficient and derives a relatively higher cashflow on a per square metre basis compared to its peers has enabled co-living to buck the trend.

40%

of the pipeline is being delivered in schemes of sub 100 units

BIFURCATION OF MARKET EXPECTED

The co-living market in Australia is starting to evolve into a two-tiered system – the traditional smaller scale schemes owned by privates and the emerging institutional-scale market. The beginnings of this trend in Sydney can be traced back to the introduction of the Housing SEPP in 2021 which enabled larger schemes to come forward within a dedicated framework.

The sub-institutional tier continues to strengthen with a healthy development pipeline of schemes coming through of sub-100 units. The lot sizes of these schemes when developed will generally be too small to appeal to the institutional market but remain in high demand by smaller property groups, family offices and high net worth investors.

At the institutional level, first movers are looking to establish platforms, with the initial focus being on Sydney. This includes existing living sector investors with a presence in adjacent sectors such as Build-to-Rent, student accommodation and hotels, who are looking to diversify their portfolios. Co-living also provides new entrants familiar with the product from overseas access to the living thematic in Australia, and APAC-based capital has been especially active in this regard.

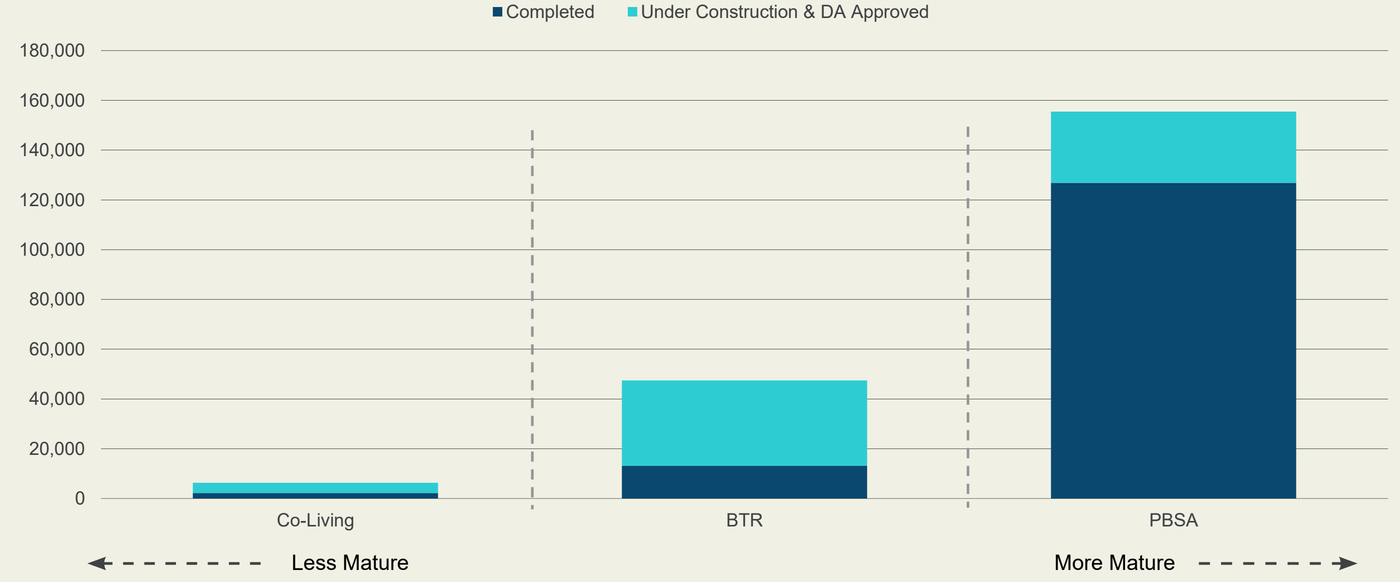
OPPORTUNITY FOR GROWTH

Whilst co-living has gained a foothold in Australia and proven its worth, the market is still very much in its infancy. The existing base of ownership is highly fragmented which is reminiscent of the student accommodation market in its evolutionary years. Before consolidation can occur however, first must come development.

Over the last 5 years we have seen an increased awareness and understanding of the product, recognition at planning level (in Sydney), proof of concept and a growing body of operational data.

Market maturity

Number of units by sub sector and development stage



Source: Knight Frank Research

OUTLOOK

The next 5 years will see the first wave of large scale co-living assets come online, increasing participation from institutional investors, and wider acceptance of co-living as an effective tool to both improve housing diversity and accelerate delivery. In many ways co-living is following in the footsteps of Build-to-Rent, a sector which has passed through its early growth phase and is now gearing up for a second stage of expansion.

Casting our eye across Australia, there is understandably inconsistency around the treatment of and support for co-living currently. Lessons from overseas tell us that planning policy will initially be cautious and then is likely to become more receptive over time.

UKO Alexandria, NSW

140 Elizabeth Street, Sydney, NSW

CASE STUDY

140 Elizabeth Street marks one of Australia's first institutional-grade co-living projects, signalling a major step in the sector's evolution. Investa, in partnership with JR West Real Estate & Development Company and Sotetsu Real Estate, will redevelop The Salvation Army's long-standing CBD site into a modern co-living asset. The design retains The Salvation Army's presence within the new building, preserving its community role while introducing a new benchmark for scale and quality in the co-living market.

Knight Frank Capital Advisory advised on the transaction, leveraging our global experience in the living sectors and our connectivity across APAC.

ASSET OVERVIEW

Address	140 Elizabeth Street, Sydney
Accommodation Levels	15
Number of Units	251
Site Area	1,055 sqm
GFA	9,076 sqm
Communal Space	792 sqm
Construction Start	2027*
Completion	2029*
Amenities	- Co working spaces - Indoor entertainment zones - Communal dining & lounge areas - Outdoor terraces

*APPROXIMATE

A VIEW FROM THE OPERATOR

Q & A with Rhys Williams of UKO

1. UKO has been involved in the Australian Co-living market since its inception, how have you seen the product evolve over the years?

We opened the first co-living property in Australia in 2018 and we have since grown to over 30 co-living assets under operation or under construction. We are currently operating assets in Sydney and Melbourne with sites under construction in Adelaide and Perth.

The product has always been a 'studio living' product which is typically a 25m2 fully self-contained studio with approximately 3m2 of amenity per studio. Amenity areas include co-working, private dining, gym & wellness areas and outdoor recreation areas. There has also always been 'community based living' at the centre of each of our co-living developments.

I still remember our first community event which had interesting people from all walks of life looking to have more flexibility and community out of their living arrangement. So I think the biggest evolution has come from investors, developers and planners who have significantly increased their understanding of the asset class and the low risk, high demand nature of this living sector asset.

From a consumer perspective there has also been a deeper understanding of the benefits of 'co-living' as we have seen significant uptake in expected areas such as the city fringe but also in unexpected suburban areas. The bottom line is that co-living is a great way to live and rent, it solves housing for singles and provides flexibility and community which is very valuable to a significant portion of the rental market.

2. In your view why has Co-living emerged rapidly in Sydney, whereas other major cities such as Melbourne are lagging behind?

All major capitals of Australia have significant demand for co-living with very low vacancy rates and transient professionals being attracted to city life. Private developers and institutional investors are also keen to develop co-living in all major capitals as it is now seen as a stable cash-flow and a desirable institutional grade asset.

The reason Sydney has more co-living is simply due to the NSW State planning framework which provides clarity to developers as to the permitted use and the deliverables. The NSW planning framework is by no means perfect but at least there is clarity at a State level for developers and investors to rely upon. Melbourne has the most confused planning framework in Australia in relation to co-living and I really hope that they follow the lead of NSW in this area.

3. Based on your experiences with tenants, why are they choosing Co-living over traditional rental options?

The majority of residents in UKO co-living developments are single young professionals. Co-living has provided the ultimate solution for single renters which is an extremely deep market. These single renters simply prefer a furnished 25sqm studio which meets all of their functional needs with utilities included, lease flexibility and access to amenity areas and a vibrant community in their property.

The alternative is an unfurnished 45sqm one bedroom apartment with none of the 'add ons' mentioned above. So the trade off is a loss of 20sqm of circulation space (which is not a significant loss for most single people) in exchange for the ultimate singles living experience! I have seen - first hand - UKO residents making life long friendships, or establishing relationships and moving on to the next stage of life all on the back of a UKO co-living product. It is pretty inspiring to see it in action!

4. What are the key challenges in operating Co-living schemes at scale in Australia?

We are working on a number of scaled co-living developments with institutional investors and we have no concerns about the depth of the market or the underwrites that we provide. With large scale developments the key is to position and design amenity areas to provide opportunities for casual connections. Given the majority of occupants are single it is important to develop a site that enables connection, collaboration and personal development. I am happy to report that the large scale co-living assets that we are working on have addressed these areas very well.

5. Having experience across both Co-living and another emerging model in Build-to-Rent – where do you find the biggest differences lie operationally?

The UKO brand covers both co-living and BTR properties. They are fundamentally very similar from an operational perspective as co-living could simply be defined as 'studio BTR'. The main differences include revenue management, occupancy agreements , inclusive rents and the nature of the community events. The WALE in co-living is also slightly shorter than a traditional BTR which reinforces the need for good property management and targeted leasing strategies.

6. You regularly work with developers, helping to shape scheme design through a pragmatic operational lens. What aspects do you consider at this stage and are there any common pitfalls that you come across?

At UKO we have a Design and Technical Services Department lead by Nick Menyhart who has over 20 years' experience in this space and has delivered every single UKO co-living and BTR project. Nick is tasked with engaging with developers as early as possible in the design process.

We share our learnings from over 30 successful projects in areas such as studio layout, services design, communal area positioning, FF&E procurement and technology requirements. Whilst there are some architects that have worked with UKO the majority of developers may appoint a traditional residential architect to do the initial design. We often see kitchenettes in the wrong position, bathrooms that are too large, inadequate joinery and furniture that is not positioned correctly. We also see over spec'd or under spec'd materials.

The good news is that all of these are fixable if we are engaged early in the design phase. We also work really hard on value engineering once the building tenders come in to get the most efficient and cost effective product – if the project does not stack it will not get built!

7. Has the market here generally followed global Co-living design trends or does the Australian customer require a unique product? Are there any notable differences in terms of design and efficiency compared to other markets where Co-living is more established?

Co-living in places such as the USA is different – in the USA co-living is what we would describe as 'shared' accommodation so there is some confusion. Given the NSW planning system has adopted co-living as a use, and the market searches for UKO co-living as a search term it is good to stick with it - but it is important to ultimately position co-living in Australia as a 'studio' product which is not always the case globally. I have also seen a number of 'boarding houses' or small developments described as co-living which is not right. I believe that co-living in Australia is a self-contained studio with onsite management and amenity areas in an asset that is held 'in one line' by an investor.

8. Your portfolio covers a broad geographical area, how does location influence the tenant profile within your schemes?

UKO assets are in urban and suburban areas. We find the urban assets have a higher churn rate with leases from 3-12 months whereas the suburban areas will have residents staying for a number of years. So it is fair to say that the urban properties are primarily housing transient single professionals and the suburban areas are housing local single professionals. Each location is unique and each resident mix is unique so we tailor our revenue strategy, leasing strategy and community engagement for each asset that we operate.

9. Is there much crossover demand from students moving into Co-living developments rather than traditional student accommodation? If so, what's driving that shift?

Yes we are seeing more and more students come to our UKO co-living properties – especially those that are close to universities. The profile is often a 2nd or 3rd year student or a post graduate student which is a very deep market. We find that the students in our UKO co-living properties are looking for a broader community and a larger studio than they can get in PBSA.

10. Are there any challenges you are facing on the occupational side?

The new tenancy legislation for co-living and BTR in NSW allows residents to break leases which can provide challenges to operators. It is important to manage lease expiry and resident churn during certain seasonal months where we draw on our substantial database to maintain occupancy.

11. A crystal ball style question to finish – where do you see the sector in 10 years?

Co-living is an absolute winner for consumers, developers and investors so it is here to stay. I see co-living transitioning out of a misunderstood 'nascent' asset class to be understood better for exactly what it is – a highly desirable, very defensive living sector product which solves housing for singles and young couples. It will be integrated into more BTR designs and it will become part of mixed use developments with hotels and serviced apartments. We will see institutional investments continue – initially from offshore capital but ultimately from Australian super as the asset class becomes normalised and understood. In 10 years we will see UKO co-living communities in all major capital cities and we will probably see our first UKO resident wedding and young family thereafter!

Rhys Williams
Co-Founder, UKO

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