SPOTLIGHT

Savills Research

UK Co-Living 2025

FLEXIBILITY, AFFORDABILITY & COMMUNITY

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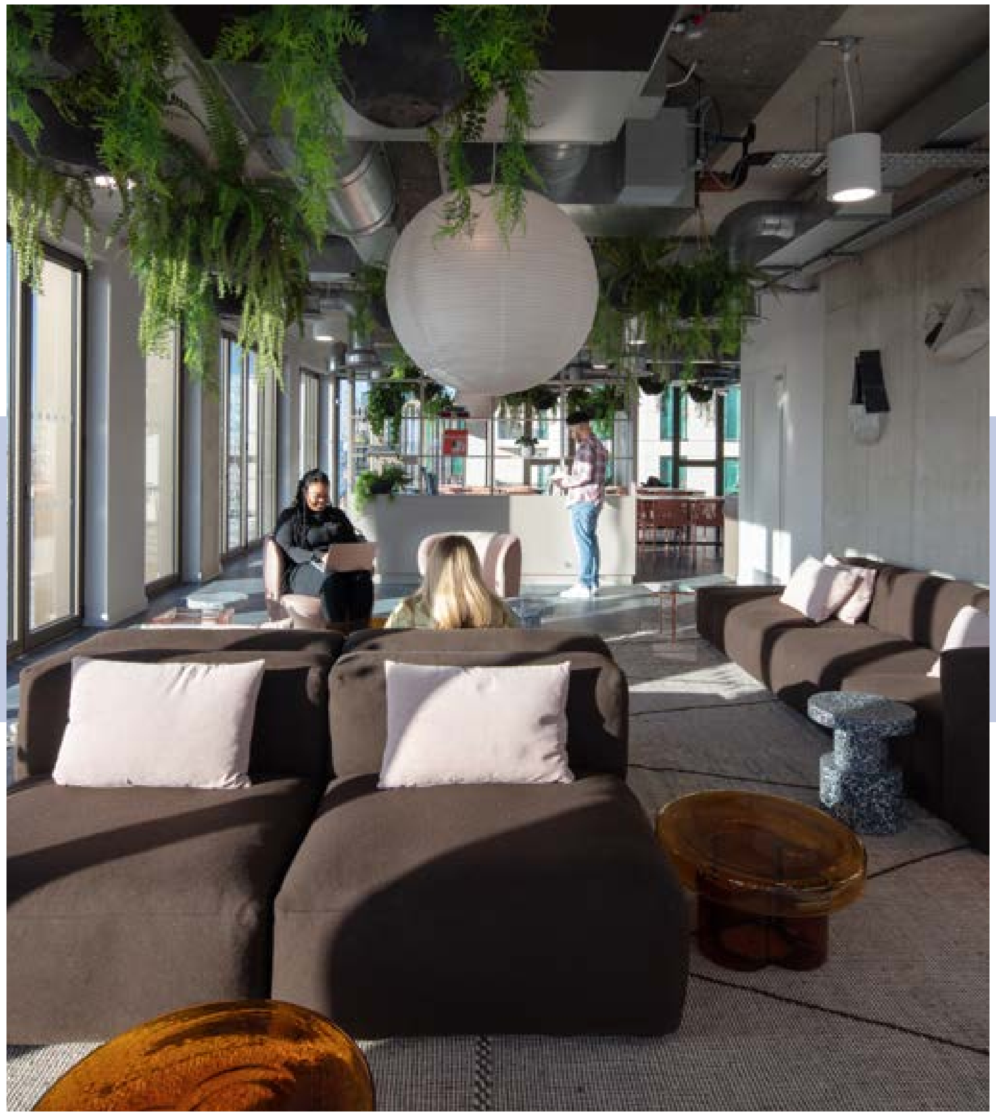
Introduction

The UK Co-Living sector is growing, underpinned by a substantial and varied demand pool.

Co-Living is ideally positioned to address the needs of a diverse range of tenants, from students, to young professionals to those seeking flexibility and community at different stages of their lives.

The product delivers a high-quality, professionally managed experience that combines private living space, convenience, affordability and social opportunities. With all-inclusive rents and flexible tenancy terms, these developments provide occupants with modern, amenity-rich environments.

In this report, we present insights from in-depth interviews with investors, developers, and operators who are shaping this fast-evolving sector. Their perspectives highlight some of the opportunities, challenges, and trends that are defining Co-Living in 2025.



FOLK The Palm House, Harrow

Key Points

Rental Growth

43% increase in Private Rented Sector (PRS) rents over the past three years across London and the 'Big Six' cities.

Graduate Retention

Cities with high graduate retention, like London, Manchester and Birmingham, are key markets for Co-Living. London alone attracts 158,000 graduates yearly.

New Supply

87% increase in planning applications in 2024 vs 2023, a record year, with 9,000 Co-Living units submitted and 6,200 permissions.

Affordable Rents

London Co-Living starting rents range from £1,550 to £1,750 pcm, comparable to a bedroom in a 3-bed 'house share' in Hammersmith or Fulham.

Housing Choice

Co-Living provides a convenient solution for renters who want amenity and social opportunities but might not want to live in a 'house share'.

Growing Pipeline

9,000 operational Co-Living units and 5,500 under construction.

Strong Demand

The latest generation of Co-Living schemes have seen strong lease-up rates and high occupancy levels, underpinned by a varied tenant pool.

Market Outlook

With inflation stabilising, build costs easing and investor confidence growing, Co-Living delivery is expected to accelerate.

HUB Cornerstone, Barbican

PRS Supply

Supply shortage in the PRS creates an opportunity for Co-Living

Co-Living constitutes a valuable addition to the UK's Private Rented Sector (PRS), providing greater choice for residents. With home ownership remaining out of reach for many that aspire to live in urban centres with abundant employment opportunities, the PRS is often the only viable option.

However, the quality of accommodation in the broader PRS is inconsistent with limited options, particularly for those seeking the privacy and independence of a self-contained space.

Currently, there are around 9,000 operational Co-Living studios across the UK, and growing anecdotal and survey evidence suggests that the core target market is aged 20 to 40, often international, and navigating life in a new city.

Co-Living can offer tenants numerous advantages, including the convenience of an all-inclusive rent (including bills and council tax), alongside a built-in community that makes it easier to meet new people.

Most cities have seen significant drops in supply

Over the past few years, the wider PRS has been characterised by a huge shortage of supply. Demand for rental homes has grown since Covid, and people are moving less often, which is reducing the number of available rental listings.

Evidence from rental listings analysis, shows that the number of listings per active branch was down 15% between the 12 months to September 2024 and 2019, across the key UK cities (Figure 1). Some cities such as Cardiff and Newcastle have seen much bigger falls in the number of available rental listings.

The lack of supply has been seen across all bed sizes. Studios and one-beds are down 13%, whilst two, three and four beds are down 15%, 18% and 17%, respectively. There is more variation across different locations: the fall in studios has been greatest across inner London (-24%), three beds are down 24% across regional cities, whilst at a more local level, studios and one-beds have fallen by 29% and 20% respectively in Bristol.

There are various reasons for the shortage of supply seen across the PRS. The ending of tax relief for buy-to-let mortgages, stricter lending criteria for landlords, proposed changes to environmental regulations and higher interest rates have meant that some landlords have exited the sector.

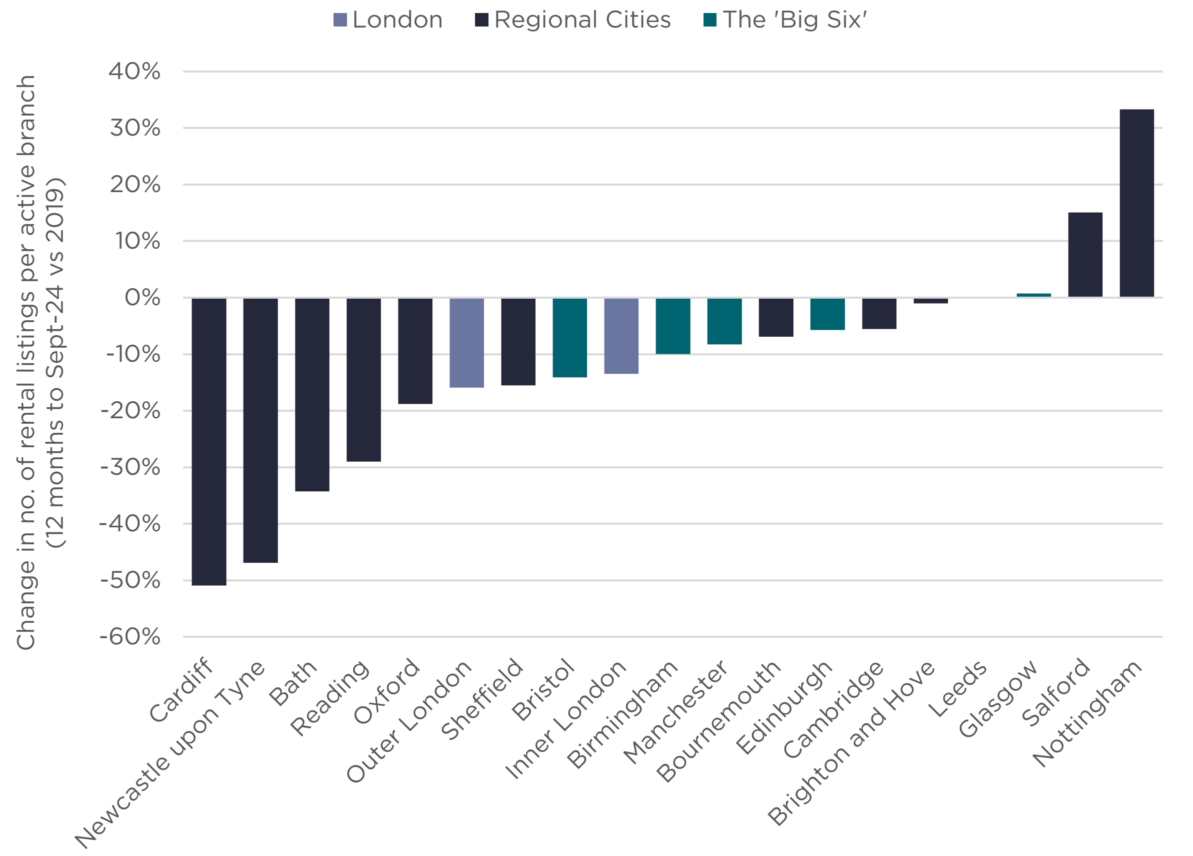
Savills analysis of individual house sales in London, using HM Land Registry data linked to rental listings, provides evidence of a contraction in supply. By matching sales between landlords and owner-occupiers, we found that in 3 years (2021-2023), London's PRS stock declined by 3.5%.

In addition to landlords selling up, many tenants are staying in their properties for longer, leading to an increase in average tenancy lengths.

Over the past 12 months, annual lettings as a percentage of total stock stood at 23%, compared with 28% pre-Covid. Tenants are increasingly opting to 'stick rather than twist' in a market characterised by high rental growth, hoping to mitigate potential rent increases.

This trend further reduces natural churn and limits choice for renters. Co-Living can play a key role in addressing the supply shortage, by providing greater choice for PRS tenants, particularly those seeking their own space at an affordable price. Note: In this report, reference to the 'Big Six' cities means Manchester, Birmingham, Leeds, Bristol, Glasgow and Edinburgh.

Figure 1: Change in number of listings (12 months to Sept-24 vs 2019)



Source: Savills analysis of listings

PRS Letting Rates

The lack of available stock has resulted in homes being let much more quickly

The lack of PRS stock has meant homes have let quicker when they have come onto the market. Regional cities have been most affected, followed by the 'Big Six' and then London. However, all geographies, property types and sizes have been affected.

Across the UK, larger properties such as three and four beds (letting 19% and 16% quicker respectively) have been more affected than smaller properties, such as studios and one-beds (letting 9% and 5% quicker, see Figure 2).

Large properties are popular with both families and house sharers, and house sharers are a potential target market for Co-Living. Increasing the supply of Co-Living should help to reduce competition for larger properties, freeing them up for families.

Recent openings for Co-Living schemes have also seen strong take-up and letting-up rates. Dandi completed three schemes in 2024. Schemes in Brondesbury and South Harrow saw 10 to 20 lettings per week, respectively, whilst their 184-bed Battersea scheme was 100% pre-let. Similarly, in Manchester, VITA completed their 870-bed 'Union' scheme in February 2024, becoming fully let by September with 27 lettings per week.

Figure 2: % change in time to let (12 months to Sept 2024 vs 2019)

Source: Savills analysis of listings

The increased competition for less stock has fed through to rising rents. On average across all cities, rents in the wider PRS have increased by 34% in the three years to September 2024.

Rents have risen most in inner London, as well as the 'Big Six'. Studios have risen by 35% across all cities and by 45% across inner London, proving single occupancy dwellings are in high demand.

Figure 3: Change in median rents (3 years to Sept-24) in the wider PRS

Source: Savills analysis of listings

> With rental stock in short supply and homes letting 10% faster in 2024 than in 2019*, Co-Living offers a high-quality, flexible alternative to traditional 'house shares'.

*This is a weighted average, taking account of the fact that the number of lettings varies by Unit Type and Market.

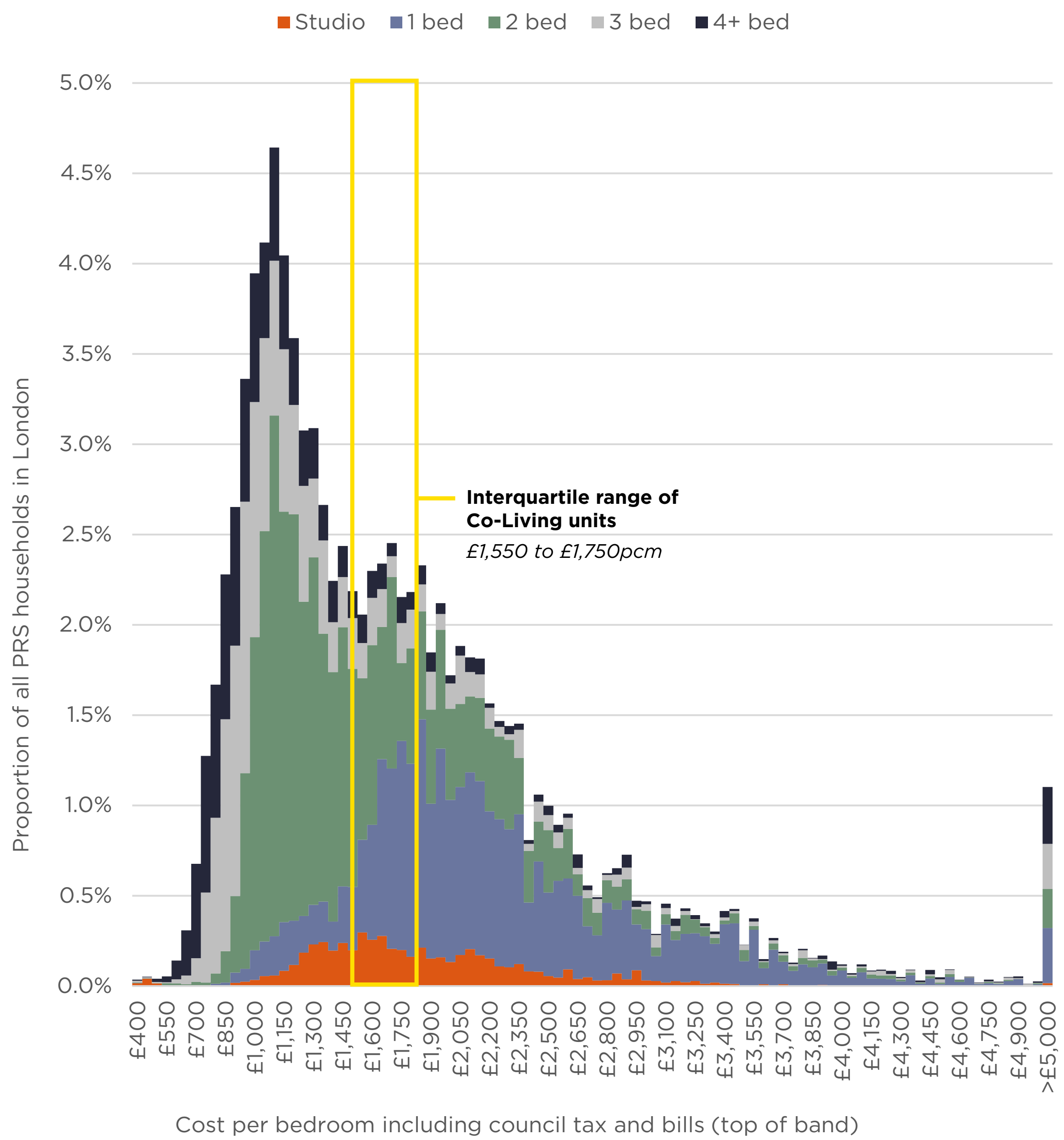
PRS Rents vs Co-Living Rents

Co-Living is affordable and creates further choices for people in the PRS

Our analysis of rents across 11 operational Co-Living schemes (from TfL travel zones 2-5 in North, South, East and West London) totals over 2,700 studios. Asking rents were between £1,550 and £1,750pcm (interquartile range) in October 2024.

Comparing this against the wider London PRS market and accounting for bills and utilities so that the two are comparable, Co-Living rents are at a substantial discount to the average one-bed.

Figure 4: Distribution of monthly rents per bedroom (inclusive of bills) across London



Source: Savills using Zoopla powered by Hometrack, council tax/bills sources

Median rents per bedroom, inclusive of bills and council tax, for selected local authorities and postcodes, are outlined below. With typical all-inclusive Co-Living rents ranging from £1,550 to £1,750pcm, they are comparable and competing with many locations. For example, this budget could secure a one-bedroom flat in Croydon or Harrow, or a studio in Clapham.

However, the combination of location and amenities provided by a Co-Living scheme may outweigh the benefit of additional space or being in a standalone property that lacks a community element.

Two- or three-bed houses or flats shared in areas like Hackney, Stratford or Vauxhall compete on pricing with Co-Living. Yet, many in the Co-Living target market are willing to trade larger living spaces for the independence and convenience of not sharing their personal living space with others.

The PRS and housing choices are all about compromise, whether that relates to location, space or price. Co-Living offers a solution that balances all three, with high-quality space alongside amenities and a sense of community, which is often missing from traditional rental options.

Median rental values per bedroom (inc. bills and council tax) in selected local authorities and postcode sectors (September 2024)

	Studio	1 bed	2 bed	3 bed
Hammersmith and Fulham	£1,739	£2,397	£1,664	£1,547
Hackney	£1,765	£2,420	£1,553	£1,205
Croydon	£1,376	£1,656	£1,021	£850
Harrow	£1,517	£1,722	£1,079	£922
Lewisham	£1,577	£1,832	£1,109	£908

	Studio	1 bed	2 bed	3 bed
SW8 – Vauxhall	£2,157	£2,922	£1,842	£1,693
SE1 – Southbank	£2,756	£2,687	£1,783	£1,391
E20 – Stratford	£2,520	£2,578	£1,580	£1,327
BR3 – Beckenham	£1,316	£1,644	£1,040	£922
SW4 – Clapham	£1,557	£2,219	£1,390	£1,138

Comparable pricing in Co-Living schemes

Source: Savills using Zoopla powered by Hometrack, council tax/bills sources

Co-Living Demand

Net international migration is up, increasing demand for Co-Living

Due to the ease of renting in Co-Living (all-inclusive bills and lack of deposit for many schemes), the sector attracts many overseas residents. The conveniences of the PRS, such as setting up council tax or TV licences can be daunting, whilst the ability to make friends and new connections makes Co-Living a good starting point for many moving to the UK.

Net international migration has increased dramatically over the past two years. In the 10 years leading to 2021, England and Wales saw a net annual increase of 252,000 people annually. This jumped to 869,000 people on average in 2022 and 2023.

Most international migrants are likely to live in privately rented housing, creating extra pressure across the sector. This has fed through into the demand profile for Co-Living. Evidence from Dandi in London shows that 72% of their residents are from overseas. Whilst some of this rise in international migration will be students (720,000 full-time international students are studying in the UK), a large proportion of international migrants move to the UK for work.

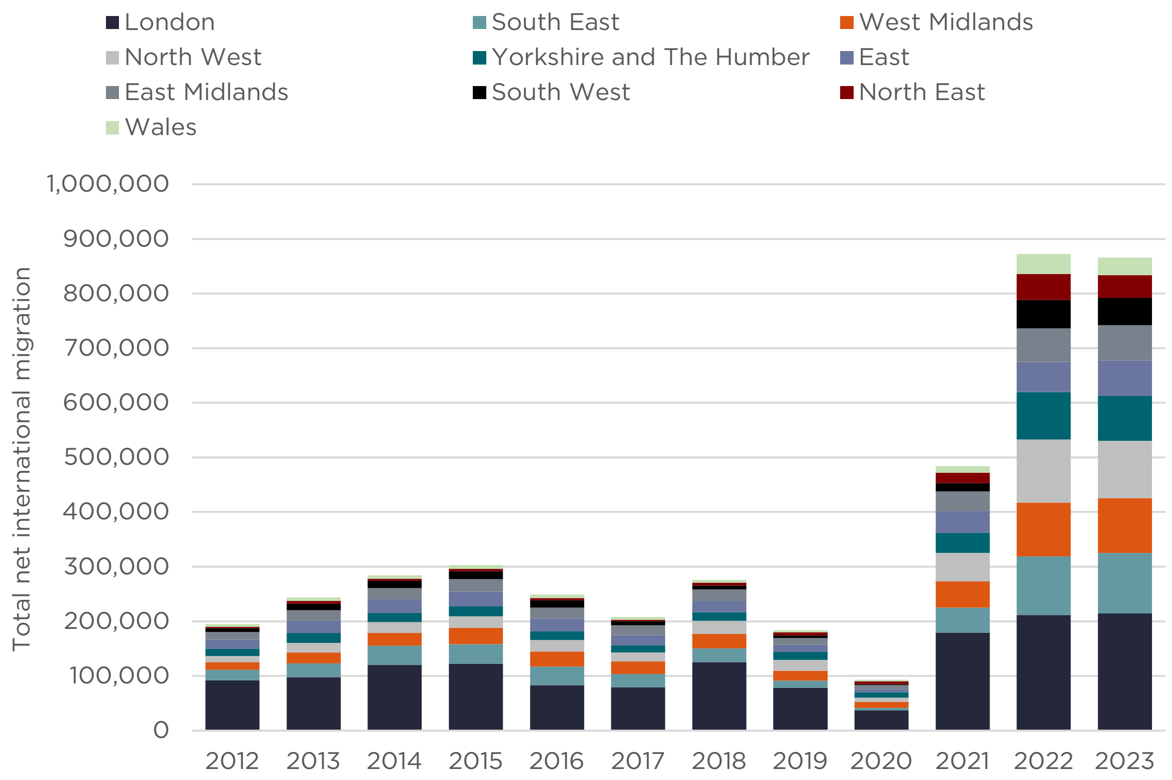
Across 2023, 42% moved for work, 32% moved for study and the rest moved for family, asylum or other humanitarian resettlement reasons.

London remains the leading destination for net international migrants, averaging 213,000 people per year over the past two years - up from an average of 101,000 per year over the previous decade. However, while London continues to attract the largest share of international migration, its proportion has declined, dropping from 40% over the past decade to 25% in the last two years.

High housing costs in the capital and lack of available homes to rent may explain why there has been a shift in international migration away from London to the regional cities. This shift suggests that international migrants are increasingly seeking more affordable locations. At a city level, Birmingham's migration has increased by 320%, from 8,200 annually between 2012-21 to 34,300 annually between 2022-23. Similar jumps have been seen across other major regional cities.

VITA Union, Manchester

Figure 5: Total net international migration



Source: Savills using ONS

Annual average increase in international net migration (selected Cities/regions)

	2012-21	2022-23	% change
England and Wales	252,000	869,000	245%
London	101,464	213,023	110%
Outer London	41,175	74,301	80%
Inner London	43,854	69,268	58%
Birmingham	8,171	34,344	320%
Manchester	8,745	34,130	290%
Cardiff	3,082	14,371	366%
Bristol	3,209	10,183	217%
Brighton and Hove	2,115	5,073	140%
Cambridge	2,937	4,851	65%

Source: Savills using ONS

Co-Living Demand

Students are also attracted to Co-Living

With the supply and demand imbalance in the wider PRS, alongside a shortage of Purpose Built Student Accommodation (PBSA), Co-Living offers a similar all-inclusive, high-quality product and service.

Evidence from Dandi's c.1,000 bed London portfolio shows that 20% of its residents are students. This is a similar level to that seen across many Build to Rent (BTR) schemes. Part of the reason for students living in Co-Living and BTR is the significant mismatch between the supply and demand of PBSA.

Student numbers across the UK have increased substantially in recent years. The number of full-time students has grown by 30% from 2015/16 to 2022/23. Over the same period, full-time overseas students grew by 74% and non-EU students by 115%.

Even with the slight slowdown in the past year, the growth in students has far outpaced the increase in PBSA supply. The lack of PBSA, coupled with the growth in the number of students over the past decade, particularly those from overseas, has helped fuel the demand for alternative housing options, including Co-Living.

	No. of FT students (2022/23)		% growth in FT students since 2012/13	
	Overseas	UK	Overseas	UK
Inner London	120,522	87,357	94%	24%
Outer London	60,750	83,478	170%	60%
The 'Big Six'	132,596	215,654	109%	20%
Regional Cities	108,982	269,369	50%	26%

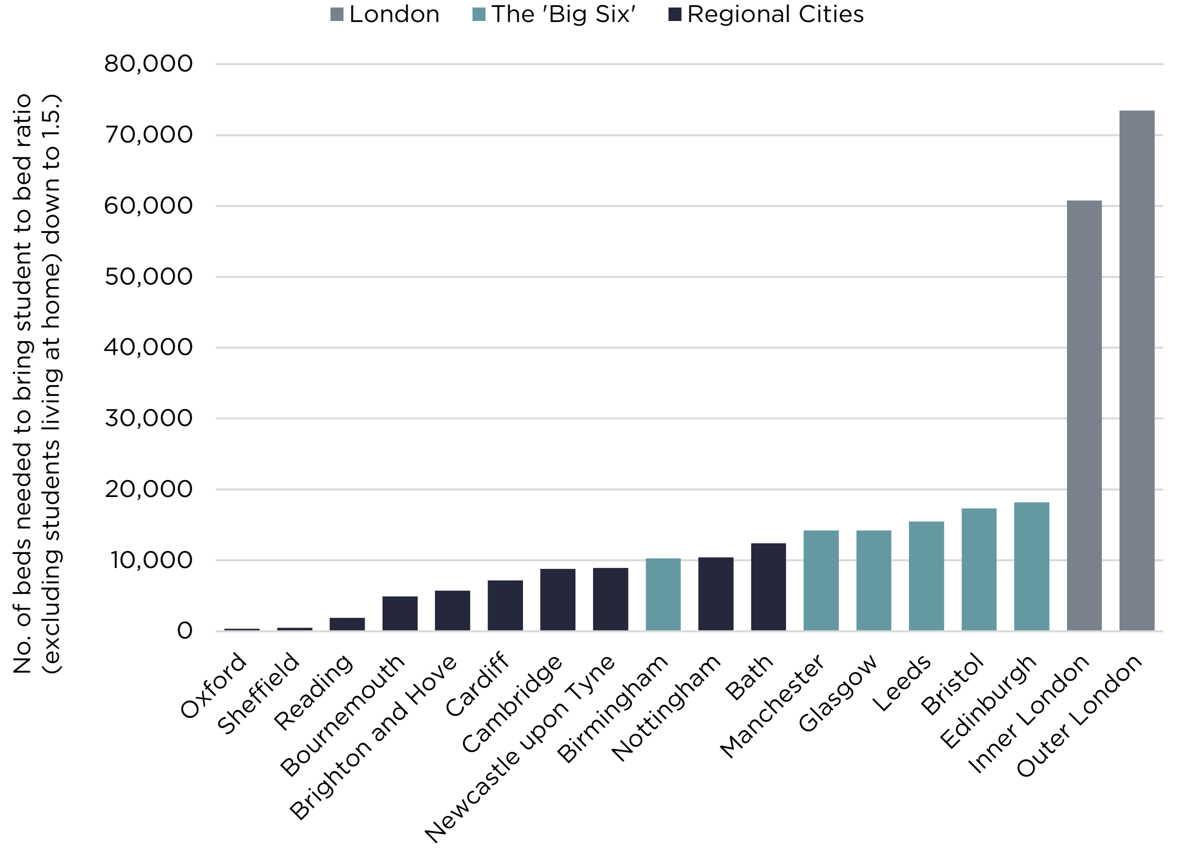
Source: HESA

The capital has more full-time overseas students (181,000) than it does domestic students (171,000). The former has grown by 114% since 2012/13, whilst the latter has grown by 39%. Similar rates of growth have also been seen across the 'Big Six'.

This is important, as overseas students have a greater propensity to live in PBSA than students from the UK, often having higher budgets that can afford PBSA, or if unavailable, Co-Living.

Across the country, London has the biggest gap between supply and demand of PBSA, with an estimated 134,000 extra PBSA units needed in the capital. With limited new development coming forward, this creates an opportunity for Co-Living to step in and cater to some of this demand.

Figure 6: No. of extra PBSA units needed to bring the student-to-bed ratio (excl. students living at home) below 1.5 students per available bed



Source: Savills using HESA

FOLK Florence Dock, Battersea

Graduate Retention

Big regional cities retain and attract graduates - a key tenant segment for Co-Living

There are c.870,000 students graduating each year across the UK. These young professionals entering the workforce present a key target demographic for Co-Living, especially those who have spent a large part of their university life living in PBSA and have become accustomed to professionally managed accommodation.

Cities with large student populations, multiple universities and high retention rates are likely to prove popular with young professionals. With the addition of rising rental costs in the wider market, Co-Living is a highly attractive option.

London has the highest graduate retention rate, at 59%, and has a total of 158,000 graduates entering its employment market each year. Manchester and Birmingham have retention rates of 49% and 41%, with 31,000 and 25,000 new graduates respectively entering these markets each year. Glasgow and Edinburgh both perform well in retaining graduates and also benefit from a large domestic market with no tuition fees, who then stay, contrary to those in England and Wales.

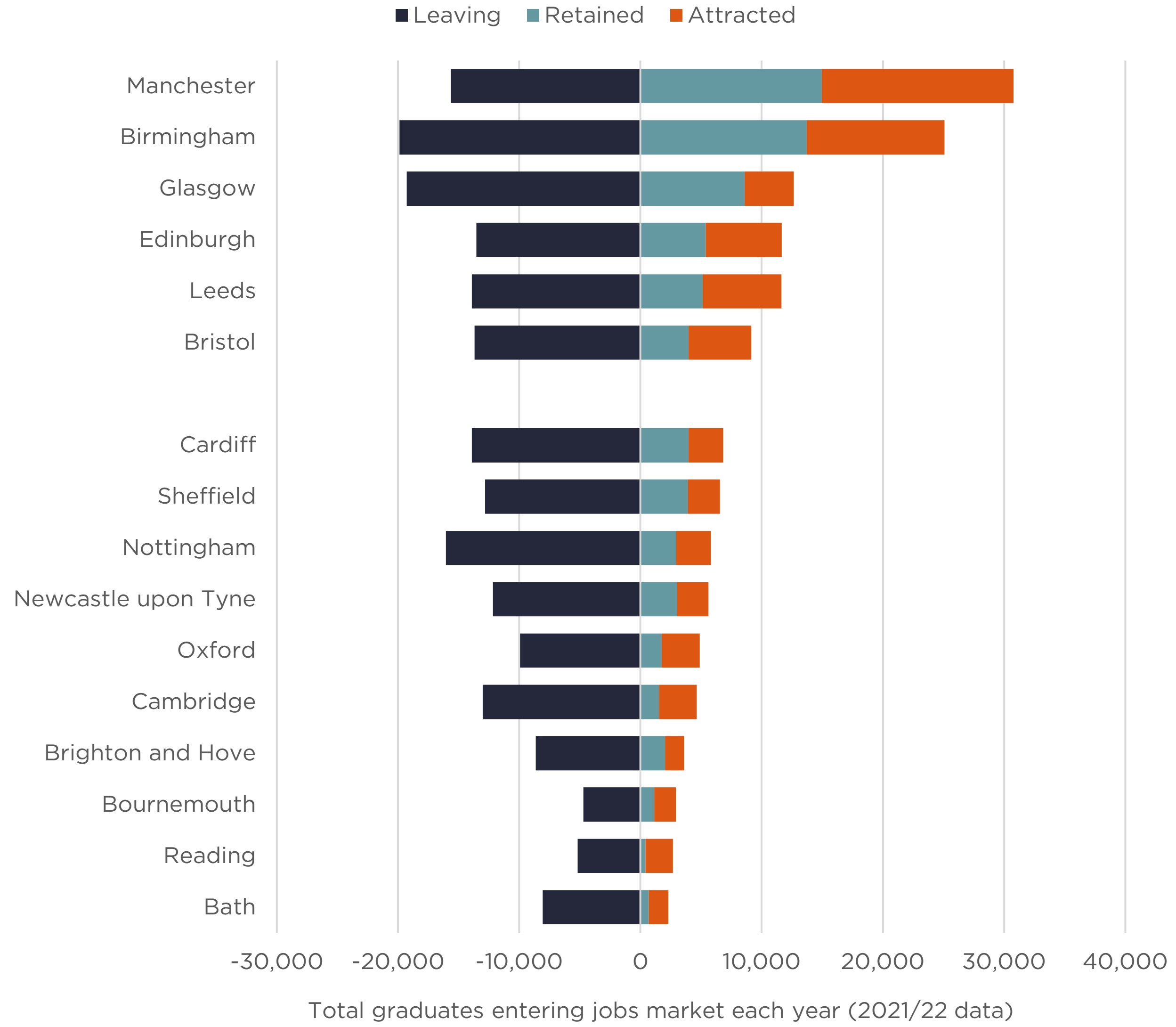
Co-Living could be particularly attractive to young professionals and graduates who move to a new city after they study. Manchester, for example, retains 15,000 graduates and attracts 16,000 who studied elsewhere and moved to the city for work. They may not have a big network and therefore would be attracted to the community offer of a Co-Living scheme, where they can meet new people and find their feet in a new city.

Furthermore, with the continued improvement in the standard of PBSA, those who have experienced high quality institutional-grade buildings are demanding the same experience post-study. The wider PRS generally cannot deliver this, and Co-Living is a more affordable product than BTR.

In some markets where housing is unaffordable and housing choice is lacking, graduates and young professionals may be enticed to stay if the offer was improved with new housing options such as Co-Living.

VITA Union, Manchester

Figure 7: Total graduates (2021/22) entering the jobs market each year by city



Source: Savills using HESA

> Regional cities like Manchester and Birmingham are retaining large numbers of graduates and also attracting thousands more young professionals each year, making them key markets for Co-Living.

Key Target Markets

Various push and pull factors are more prevalent in some cities which means there is greater demand and potential for Co-Living

Combining over 20 data points on various metrics shows a clear trend, as one would expect, that Co-Living demand is focused on large and unaffordable cities. In the rental market, high rents make Co-Living schemes more viable. A lack of stock in the wider PRS also makes it a more compelling proposition to tenants, as well as developers and investors.

In the wider housing market, high house prices have made homeownership unattainable for many, with PRS tenants staying in the sector longer, even those with high incomes, due to the significant deposit barrier. This explains why a notable proportion of residents in Co-Living schemes are in their 30s, 40s, and older. It also highlights why locations like Bath and Cambridge perform better on this metric compared to cities like Newcastle and Glasgow.

An increase in population, particularly from net international migration, has been evident across the board, but some places have experienced a bigger impact. Migrants, who typically find accommodation in the PRS, have settled in the biggest cities – London, followed by Manchester and Birmingham.

Students face a similar challenge, with London experiencing the largest supply and demand imbalance for PBSA, followed by Edinburgh, Bristol, and Leeds. This makes Co-Living an attractive alternative for those unable to secure PBSA but still seeking amenities, social interaction, and events.

For graduates, London remains the top destination, followed by Manchester and Birmingham. These cities present opportunities for Co-Living to cater to this demographic - graduates who have recently left PBSA and are looking for a comparable lifestyle offering.

Similarly, London is forecast to see much larger growth in the number of jobs. Many of these are in high-value industries such as professional services, scientific and technology, information and communication.

Finally, the size of the Co-Living target market is a clear indicator of potential demand. This is defined as the number of people who currently live in the PRS, aged between 18-40, who don't have children and are classified as a key Experian demographic group which are affluent and have a high propensity to live in shared accommodation.

> Co-Living is gaining traction among institutional investors, with BlackRock, Realstar, and APG, to name just a few, actively backing the sector.

Figure 8: Key target markets for Co-Living

Using a number of metrics, we have ranked 18 cities in terms of the opportunities they provide for Co-Living, with 1=best. Those towards the bottom of the ranking still provide good opportunities, however the size of market is smaller than for the larger metropolitan areas.

		Rental market	Housing market	Migration	Students and graduates	Economy and demographics	Target market	Rank
London	Inner London	1	1	2	1	2	1	1
	Outer London	2	3	1	2	1	2	2
Big Six	Edinburgh	6	10	-	6	5	4	3
	Manchester*	12	12	3	7	3	3	4
	Bristol	5	8	7	3	8	6	5
	Birmingham	11	14	4	8	4	7	6
	Leeds	14	13	5	5	6	5	7
	Glasgow	16	18	-	4	7	8	9
Regional Cities	Cardiff	8	11	6	13	11	10	8
	Sheffield	13	15	9	14	9	9	10
	Bath	3	2	11	9	18	18	11
	Cambridge	7	4	12	10	17	17	12
	Newcastle	9	16	8	11	10	13	13
	Bournemouth	15	7	13	12	16	14	14
	Oxford	10	5	15	17	15	16	15
	Reading	4	9	14	18	13	15	16
	Brighton & Hove	17	6	16	16	14	11	17
	Nottingham	18	17	10	15	12	12	18

Source: Savills using Zoopla powered by Hometrack, HM Land Registry, ONS, HESA, Oxford Economics, Experian. *Includes Salford

Co-Living Supply

Supply of Co-Living continues to accelerate, with more units submitted and permitted in 2024 than in any other year

There are now close to 9,000 operational Co-Living units across the UK. An additional 3,300 units completed in 2024, with evidence of schemes currently under construction suggesting a further 3,600 units expected to complete in 2025.

The pipeline continues to increase. 2024 was a record year for both applications and permissions, with around 9,000 and 6,200 units, respectively. Approximately 14,000 units across 53 schemes are currently at permission stage. A further 60+ schemes comprising more than 17,000 units are at the application or pre-planning stage.

Reflecting trends across the residential market, the number of schemes starting construction declined in 2024, with high cost of capital and rising build costs delaying activity.

However, with inflation down to within the Bank of England's target and base rates and subsequent interest rates beginning to fall, both construction activity and market sentiment are expected to improve.

As the BTR market continues to grow, now boasting 106,000 operational Multifamily homes, Co-Living is emerging as a distinct sub-sector within the wider institutional rental market. It broadens rental options by providing a more affordable product while still delivering high-quality amenities and fostering social interaction.

We are also seeing increasing support from local authorities for Co-Living schemes, particularly in strong regional centres with high property values that hinder homeownership but benefit from robust employment opportunities and graduate retention. Exciting new projects are on the horizon in cities like Reading, Leeds, Cardiff, Manchester, Brighton, and Edinburgh.

DANDI Battersea

Figure 9: Co-Living units submitted

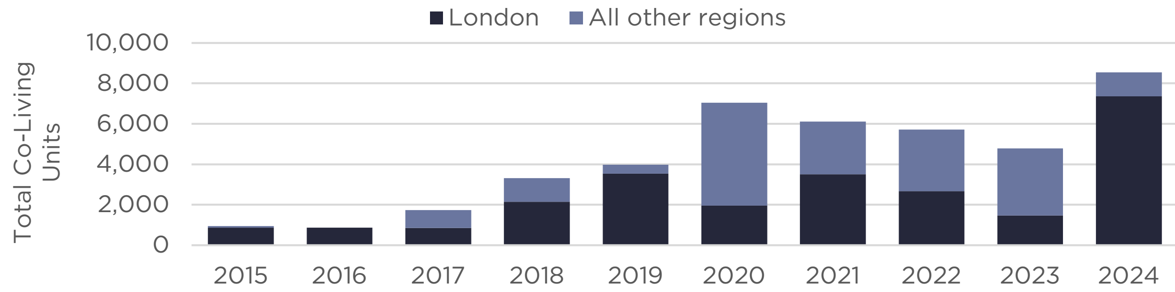


Figure 10: Co-Living units permitted

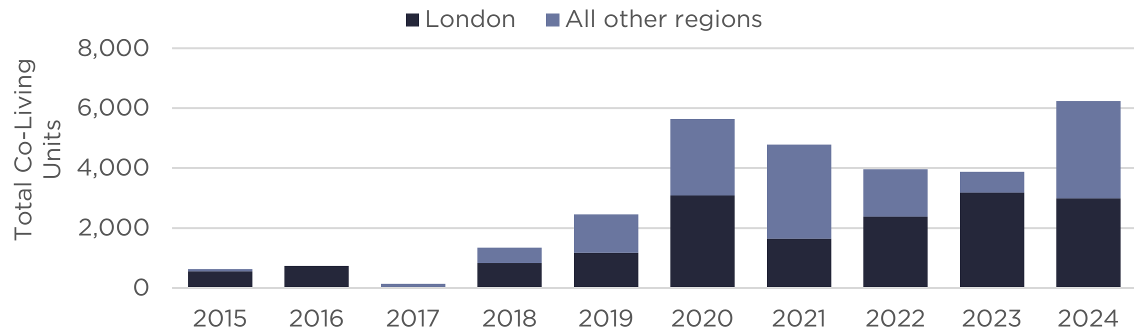


Figure 11: Co-Living units completed

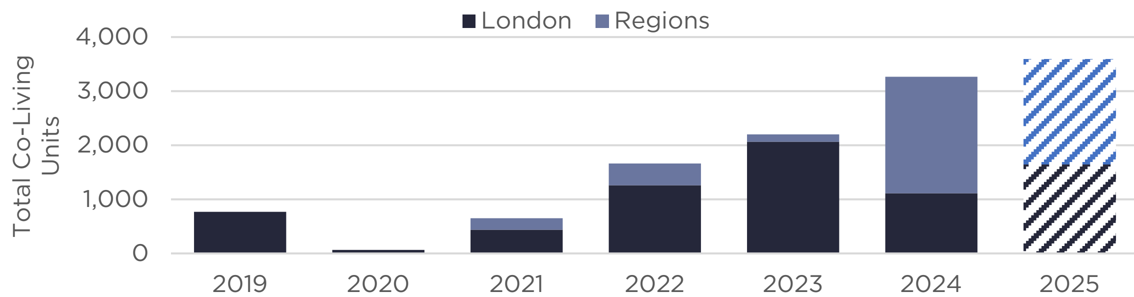
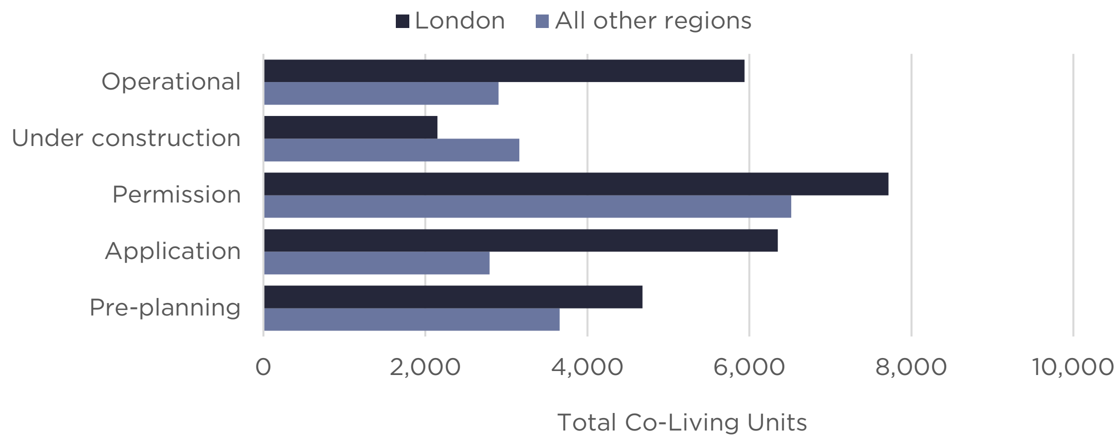


Figure 12: Operational and pipeline by status



Source: Savills Research

London Planning

Diverging local planning policies creates challenges

Whilst the sector continues to grow, there has been and remains constant change in the attitude and policies being adopted at the local authority level. London is an excellent case in point.

Even with the adoption of London Plan Policy H16 in 2021, there is substantial divergence in the policy landscape at the borough level. Within London, of the 34 administrative authorities (33 local authorities and 1 development corporation - LLDC's planning powers are no more), 11 have adopted policy, 12 have emerging policy and 11 have neither.

In some cases, local authorities have emerging and adopted Co-Living policies. Two of the 23 with either adopted or draft policies have wording which we consider unsupportive and challenging. The remaining 21 provide support but with varying degrees of restrictions, caveats or criteria, often referencing specific locations where Co-Living is directed, compliance with London Plan Policy H16 or justification for Co-Living instead of traditional housing.

As investors and developers continue to bring forward new schemes, a keen eye will be kept on the policy position of local authorities. 2024 saw Greenwich and the City of London approve their first Co-Living schemes whilst Brent, Harrow and Southwark saw continued activity.

As pipelines grow it will be interesting to monitor if and how this impacts policy and level of support. Wandsworth, for example, has seen a growing pipeline over the last few years, which led to a more restrictive policy position.

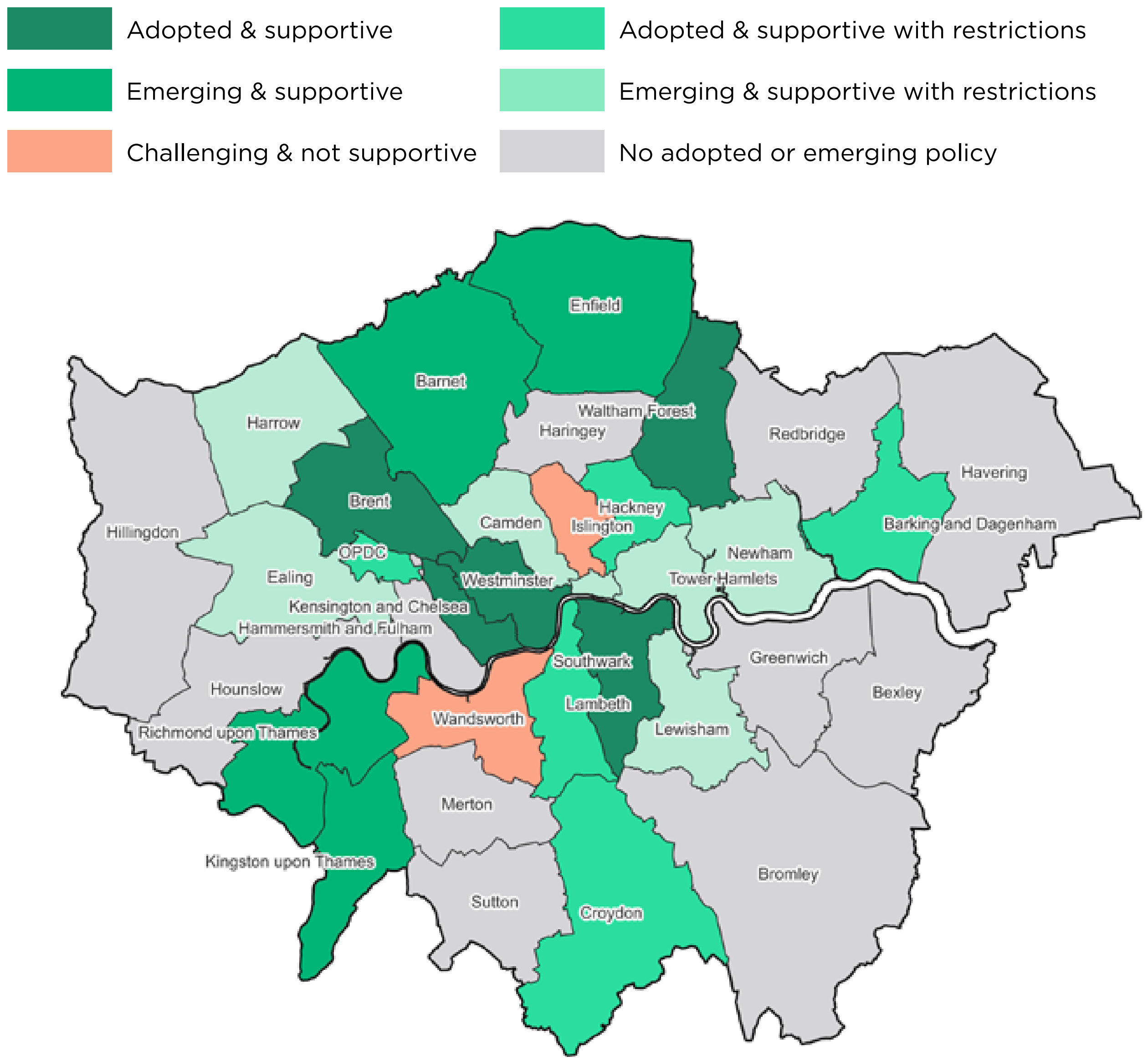
Where areas have more restrictive or challenging policies, this doesn't mean they are no-go areas for Co-Living. Local authorities with more restrictive or caveated policies often require a test to ensure Co-Living does not undermine or impact the delivery of traditional C3 housing, with applications often required to demonstrate C3 housing would not be feasible.

Whether or not this is intended to deter Co-Living, we consider it should not be dismissed in these locations, as the specific nature, context and character of each site in London will vary and Co-Living should still be considered, particularly given the data and research supporting strong lease-up rates and demand in London.

In addition to varying approaches at local authority level, there has also been the publication of the GLA's Large Scale Purpose Built Shared Living (LSPBSL) LPG which supports London Plan Policy H16 in providing guidance on Co-Living. The guidance document promotes best practice design and quality standards, whilst also acknowledging and supporting the role Co-Living can play in meeting London's housing needs. The Government's Housing Delivery Test Guidance also acknowledges 'communal living' will be counted towards housing delivery at a ratio of 1.8:1.

With the new Labour government's 1.5 million home target, there is likely to be pressure to increase housing delivery of all types, and this creates an opportunity for Co-Living to play an even greater part.

Figure 13: London planning policy context



Source: Savills. Policy correct of December 2024

Mark Thomson
Director, Savills Planning

Regional Planning

Regional cities, led by Manchester, are catching up

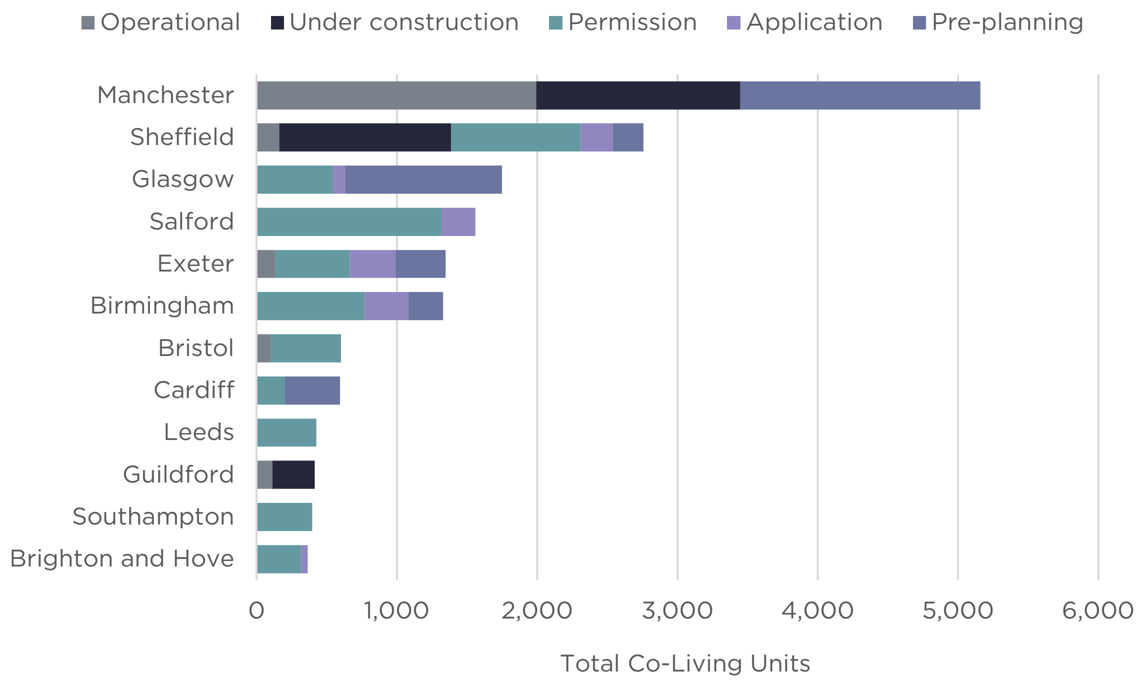
Whilst London has the majority of operational stock, the regions are quickly catching up. There have been more units submitted for planning outside London since 2020, than inside the capital.

2024 saw schemes approved for the first time in places such as Bath, Cardiff, Salford, Southampton and Woking. Other schemes are likely to win consent in 2025 in Edinburgh, Reading and Watford, amongst others. As with London, the attitude and policy position varies considerably.

Given the lack of adopted policy, and guidance on operational Co-Living schemes in some areas, scepticism from political councillors, officers and the community can sometimes prove a challenge to promoting Co-Living schemes, particularly in terms of the quality of the accommodation and the role it can play in meeting housing needs.

In our experience, an absence of policy can allow for greater flexibility and innovation. However, there is no framework for authorities, which can make it difficult to progress schemes with a barrier in understanding between what is considered to be acceptable and capable of being consented to.

Figure 14: Total Co-Living Pipeline



Source: Savills

> Currently there are more Co-Living units under construction across the regions than London, showing clear demand and marking a shift in the sector's expansion.

Several authorities have published policy or guidance, or are developing policies and guidance, including Birmingham, Liverpool, Leeds, Bristol, Reading, and Salford.

Whilst there appears to be a trend in drawing from the quality of operational Co-Living schemes as well as the LSPBSL guidance by the GLA, guidance and policies still vary significantly. Liverpool remains one of the only areas where Co-Living has been refused and dismissed at appeal, and where published guidance requires Co-Living schemes to comply with residential size and mix policies, including National space standards.

In this instance, Co-Living as a product is unlikely to be capable of being delivered and the result of the guidance is that it will deter Co-Living in Liverpool. The variation across authorities' policy approach will remain until there is clear national policy guidance or policy for Co-Living.

VITA Union, Manchester

Affordable Housing

Could Co-Living be ideal for affordable key worker accommodation?

In terms of affordable housing, Co-Living has various approaches. The GLA's recent 'Large Scale Purpose Built Shared Living' (LSPBSL) guidance aligns with Policy H16 to first secure payment in lieu or secondly deliver on-site C3 affordable housing.

The latter presents real challenges in deliverability. However, in our experience, payments in lieu are often less appealing to political councillors, officers and decision-makers. In our view, payments in lieu should be welcomed and supported on sites where on-site C3 is not feasible, and the development can instead provide much-needed funding to support off-site delivery of affordable housing. Traditional C3 housing can sometimes work on larger sites or mixed-use schemes. Here, Co-Living can often support the viability and delivery of more affordable housing.

The LSPBSL guidance does not support on-site discounted market rent (DMR) Co-Living units. In our view, this is disappointing given there are numerous operational and successful examples in London (before the LSPBSL) and others being consented across the UK.

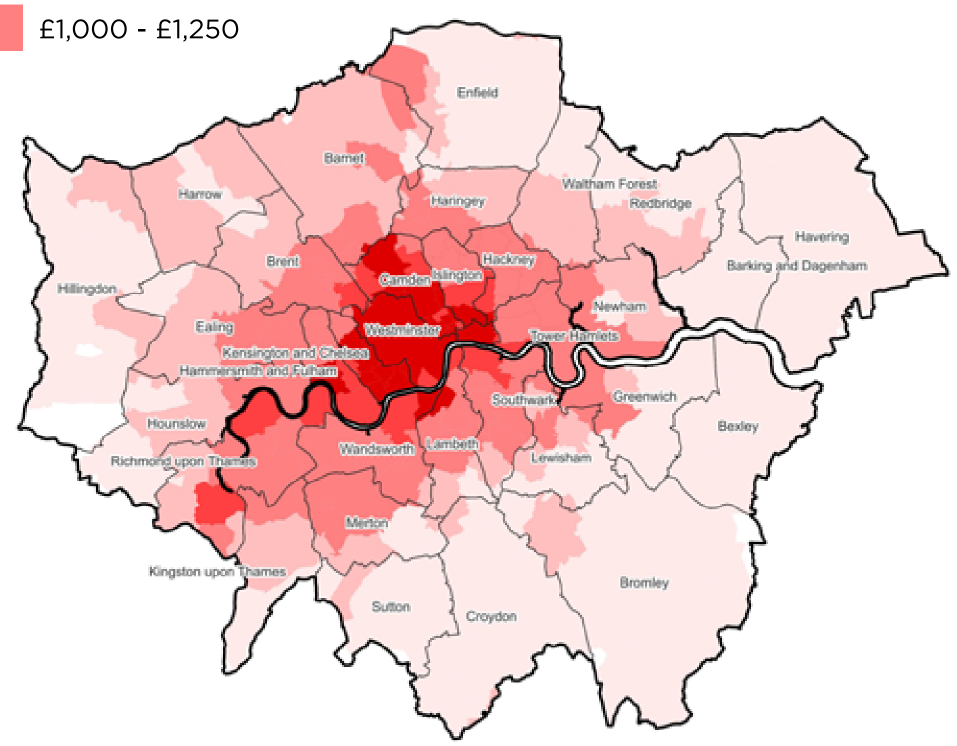
In Earlsfield, Folk operate c.100 DMR Co-Living units with NHS hospital staff nearby a key benefactor. Where DMR has happened, rooms are typically provided as tenure blind and pepper potted throughout the building, adding to the sense of community. DMR has the ability to meet the needs of key workers. Young key workers including teachers, nurses, paramedics, etc. will likely be renters and often priced out of the wider market. Those working in inner London will also need to travel long distances to reach their place of work.

Figure 15: Example Discount Market Rent schemes

Scheme	Location	Total Beds	DMR	Status
Sunday Mills	Earlsfield, London	315	35%	Operational
The Mall	Ealing, London	81	35%	Operational
Guildford Plaza	Guildford	301	40%	Under Construction
Haymarket	Bristol	132	20%	Consented
3-12 High Street	Woking	329	10%	Consented

Figure 16: Median cost (pcm) for a bedroom in a 3-bed home (incl. bills and council tax), 12 months to September 2024

<£900
£900 - £1,000
£1,000 - £1,250
£1,250 - £1,500
>£1,500



Source: Savills using Zoopla powered by Hometrack, council tax/bills sources. (12 months to September 2024)

Outside of London, approaches to affordable housing remain inconsistent. However, some local authorities have adopted London-inspired policies, such as seeking payments in lieu. This is evident in planning consents and guidance in cities like Bath, Birmingham, Brighton, Leeds, and Southampton. Meanwhile, consents in Bristol, Woking, Guildford, and Exeter have included DMR Co-Living units as part of their affordable housing provisions.

Given the affordability challenges and the ongoing cost-of-living crisis, particularly for key workers, DMR Co-Living offers a potential solution. It provides accessible housing in highly connected, sustainable locations for individuals who may not qualify for traditional affordable housing due to their income levels and who are priced out of local markets by rising rents and limited rental stock.

To fully realise this potential, greater national policy support and guidance for Co-Living are essential. Clearer frameworks would provide certainty for local authorities, developers, operators, and investors, enabling Co-Living to be recognised as an important form of BTR.

With increased supply, Co-Living can help address critical housing market challenges, including supply shortages, affordability issues, and poor-quality housing. National policies should also formally recognise on-site DMR units in Co-Living developments as a valid type of affordable housing, akin to BTR schemes. This would expand housing options, support affordability for key workers, and contribute to solving the wider housing crisis.

Viability

Pragmatism is needed through planning and viability

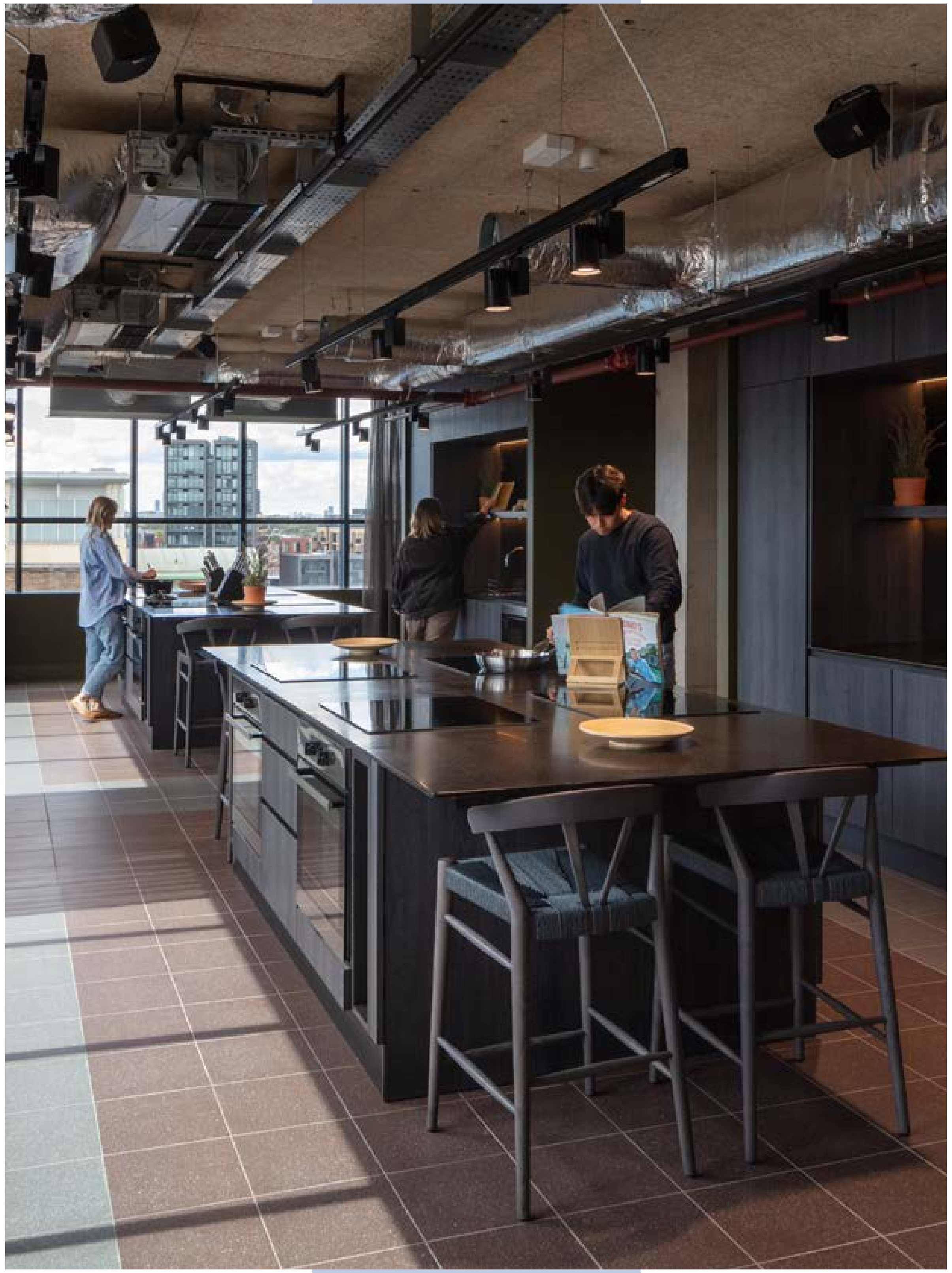
The rise in construction costs, alongside the raft of other challenges experienced in the residential sector, has led to a reduction in applications and starts on site across the wider market. Co-Living provides an opportunity to buck the trend, in part because the higher density of rooms creates sufficient value to deal with the constraints of brownfield sites in urban locations. Therefore, Co-Living offers the chance for housing delivery where more traditional typologies are not financially viable, as well as an augmentation of the growing BTR sector providing quality rented accommodation.

The growth of Co-Living has the potential to reshape local housing markets and planning priorities, providing a middle ground that addresses housing needs while maintaining project viability. From a planning viability perspective, there is frequently a lack of understanding or relevant expertise amongst viability reviewers, which has often led to applications being held up in discussions on the comparative value of the proposed homes. For developers, early engagement is critical in order to navigate the balance between viability concerns and the political imperatives of securing local support. Planning policies often focus on financial contributions whereas local members tend to prioritise on-site provision of affordable, particularly social-rented homes. Local authorities, and the industry at large, need to educate officers and committee members on the operation of Co-Living, or risk falling behind the market (as was the case with the emergence of mainstream BTR), or falling out of step with national policy. Current planning policies do not fully accommodate the unique characteristics of Co-Living, leading to challenges in securing fundable planning permissions once S106 negotiations begin.

Whether adapting existing policies or creating new policies, a pragmatic approach to delivery is required in order to secure both housing delivery and affordable housing outcomes. Larger schemes may be better suited to accommodate on-site affordable housing, aligning with political priorities for visible local benefits.

Where local policies are created to determine appropriate payments, careful consideration is required to ensure that developments remain deliverable. Payments that are upfront or early in the development process are less likely to be feasible, whereas a payment triggered at the point of known income is likely to be more realistic and able to secure development finance. It's imperative for operators and developers of Co-Living to play their part in assisting local authorities in understanding the development type and articulate the benefits of Co-Living as offering flexibility, affordability, and housing with a community focus.

Gareth Turner
Director, Savills Development Viability



FOLK Florence Dock, Battersea

Investment

The sector continues to surprise, with the depth of resident profiles ranging from a partial element of students to young professionals to the pied-a-terre audience. This flexibility to house a wide spectrum of tenants means less reliance on a particular tenant type, which de-risks the income profile.

The occupancy and lease-up rates in the "second generation" assets which have opened have proven well beyond the business plan in most assets, and we are now seeing consistent and steady rental growth as well as a demand from re-bookers. We are not just seeing the studio concept alone.

Developers and operators are adapting to cluster flats or studios according to their target market, whether that is in London or the regional cities, to ensure they are providing a mix that is appropriate for their audience. Engagement from the investor market so far has been broad, including from Cain International, BlackRock, Realstar, Crosstree, DTZ Investors, APG and CDL, to name just a few examples.

The transactional evidence is still sparse due to being very much in the development cycle of the market. We are seeing great success from the likes of DTZ Investors (Folk), Dandi, Vita (Union) and Scape (Morro) in some excellent second-generation Co-Living schemes, which will no doubt strengthen investor confidence.

Figure 17: Selected Co-Living transactions

	Deal Type	Asset Local Authority	Purchaser	Vendor	Units	Deal Price	Price P/ Unit	NIY
Oct-21	Funding	Ealing	Moorfield	Urbane London	81	£20m	£247,000	4.50%
Jan-23	Funding	Guildford	Partners	Host	301	£71.2m	£237,000	n/a
Jan-23	Forward Commitment	Richmond	True North	SAV Group	86	£21.2m	£247,000	n/a
May-23	Funding	Kingston	Amro Partners	NTT UD	210	£80m	£381,000	4.15%
Sep-23	Funding	Ealing	BlackRock	Tide Construction	462	£170m	£368,000	4.25%
Feb-24	Funding	Hammersmith & Fulham	CDL	HUB / Bridges Fund Management	209	£88m	£421,000	4.50%
Nov-24	Investment	Lambeth	Realstar	Node	63	£20.5m	£325,000	4.65%

Source: Savills

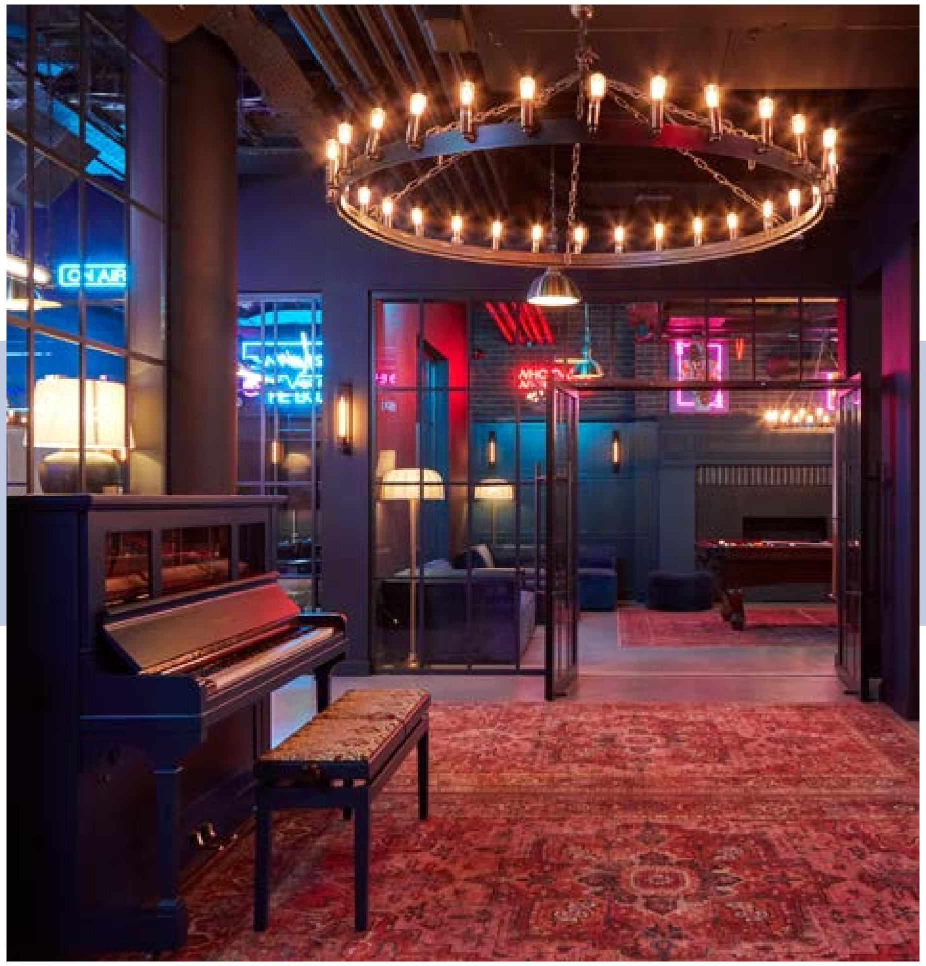
Lizzie Beagley
Head of PBSA & Co-Living Transactions, Savills Operational Capital Markets

Debt Commentary

With more Co-Living operational product in the market demonstrating strong lease up rates and occupancy levels, Lenders have a greater understanding of the role Co-Living has to play in the wider Living sector and therefore we're seeing strong lender demand for high-quality Co-Living financing opportunities.

Limited deal volumes throughout 2024 has led to lenders competing aggressively to deploy capital and meet internal targets for any new viable financing opportunity.

As a result the Bank market has tightened pricing and alternative lenders are having to differentiate through structure and flexibility to stay competitive, leading to an advantageous debt market for borrowers.



DANDI Battersea

Charlie Bottomley
Director, Savills Debt Advisory

THE DEVELOPER

DANDI

FEATURING

Ali Ravanshad

FOUNDER & CEO, DANDI

Q ***You were one of the first names to get into the sector. Why did you believe in it so early on?***

Over several years of investing and developing housing across London, I recognised that traditional real estate players were failing to address the needs of single people and sharers, a segment of urban renters that has continued to grow in response to broader social trends and changing lifestyle preferences.

The barriers to home ownership and cost of living pressures that keep many people in the rental sector are widely acknowledged, but, lifestyle shifts are playing an increasingly important role in shaping peoples' housing choices. The rise of remote work and more fluid career paths have led to a growing number of people seeking flexibility and convenience. Key life events like marriage or starting a family are being delayed with demand for smaller, well-designed, individual living spaces continuing to rise. Dandi is focused on providing the best quality, design-led, flexible housing options for discerning renters disillusioned by outdated rental options.

Q ***In your experience why are some local authorities hesitant to accept Co-Living and what have you done to educate them and wider stakeholders?***

Sadly, there are examples of first-generation Co-Living and PD schemes in some London boroughs that feature very small units with either limited shared amenity space or an over-reliance on large, shared spaces that residents do not use because they are poorly designed and do not respond to their needs.

Against this backdrop, it's unsurprising that some local authorities have concerns about the quality of the housing being delivered and the motives of some developers. I am passionate about the design and the sense of theatre we bring to each of our projects and the contribution that best-in-class Co-Living is starting to make to urban housing. I spend a good amount of time sharing my views with local authorities and other stakeholders including institutional investors and family offices that are attracted by the scale to which the sector will grow.

Q ***The sector already talks about Co-Living 2.0 - with bigger room sizes than the very earliest first-gen schemes. In what other ways has the sector evolved?***

Co-Living has evolved in a way that reflects changes in the way people want to live in urban centres, especially in cities like London, where housing affordability and social connection remain key issues. Three key strands stand out:

(1) Co-Living has moved from a niche solution for younger people to a diverse, community-oriented, and increasingly sophisticated option appealing to older professionals, remote workers, and even retirees. This is in addition to students, post-grads and young professionals.

(2) Developers are differentiating their offerings by focusing on the lifestyle experience rather than just affordability with features including concierge services and wellness programs.

(3) AI and smart living solutions will continue to transform schemes into tech-enhanced environments for residents and improve the management and operational performance of buildings.

Q ***Your focus is very much London, and particularly Harrow. Why is that and would you consider the regions?***

We have been focused on establishing a firm foothold in London before turning our attention to other major capital cities where the culture, entertainment, and lifestyle amenities attract large and diverse communities – both domestic and international.

We opened one of our first branded schemes in Harrow and we continue to have strong ties with the area, but our London portfolio now extends to Brent and Wandsworth too. We will have more presence in some boroughs than others because the populations and infrastructure are more suited to what Dandi offers, but we intend to open doors in many locations across London in addition to our international plans.

Q ***What are the biggest challenges you've faced from inception to now and how have these changed?***

Navigating the planning system remains challenging but there has been some improvement following the release of the London Plan Guidance on Large-Scale Purpose-Built Shared Living.

Positively, there is a growing awareness across several local authorities that Co-Living is responding to a huge undersupply of desirable housing whilst tapping into broader social trends, such as changing lifestyle preferences and the increasing importance of social connections.

Q ***Most Co-Living operators include bills within their rents. You don't, with those factored in as extra costs for the tenant. What's the rationale behind this?***

Simply, it provides us with more certainty. Energy prices have fluctuated widely in recent years and operating costs are a key consideration when we are appraising current and future projects.

Additionally, our residents tell us they value having greater control over their consumption both from a budgeting perspective and because of increased environmental awareness.

Q ***What are the future challenges for the sector?***

The market is very promising so I am optimistic, but developers and investors must stay adaptable and innovate in areas such as flexible design, community building, and sustainability to navigate future challenges.

Addressing these proactively will help promote the long-term growth and viability of the sector.

THE INVESTOR

DTZ INVESTORS

FEATURING

Chris Saunders

DIRECTOR, DTZ INVESTORS UK

FOLK LIVING.COM

Q What draws tenants to your schemes? Is there a USP? Some have been open for a few years now - What's been working well?

There are lots of different reasons why people choose to live in Folk schemes. There are those residents drawn by the in-built community that Folk buildings provide. It can be daunting moving to an international city like London when you don't know anybody and the range of amenity spaces and extensive events programs provide plenty of opportunities for people to build a friendship base.

Not everybody comes for the community aspect though, most of our residents are attracted by the fact that it represents good value for money relative to other rental options. You get an aspirational private studio with everything you need for independent living, but also loads of great amenity space, such as a fantastic gym and co-working space, at a relatively affordable rent.

Q Do your schemes attract a certain demographic? What is the typical tenant profile? And does this differ by location?

Although the key demographic for Co-Living is single renters in the 21-35 age cohort, the concept appeals to a much wider range. We have a good proportion of residents in our buildings that are in their 40's, 50's and 60's.

The proportion of students is also much lower than people expect at just under 10%. Co-Living has a particular appeal for people moving to a City for the first time. Therefore, it is unsurprising that c.50% of residents are non-UK nationals, with many of these residents arriving directly from overseas.

Q Why do tenants choose Folk? Does branding matter?

Ultimately, people choose Folk because it's a high-quality product at a fair rent that better meets their needs than alternative residential products.

However, the brand is important as it helps us market our product to our target demographic through our website and social media channels, with a large proportion of our enquiries coming directly through these channels. Perversely, in the early days of Folk, we suffered from the problem that some potential residents thought the product was too good to be true.

Q A number of your schemes are c.250-350 units. Is there an optimum size in your view and why is that?

We do like schemes within that range for a number of reasons. To deliver the Folk business model we need at least 200 units to keep it viable from an operating cost point of view.

We also think there are community benefits within this range as it is not so large that you lose the personal feel that residents are looking for. Finally, from an investment point of view, with larger schemes the capital value of the asset reaches a point where liquidity may be an issue which potentially impacts the yield.

Q Can you share any insights on general running occupancy, rental growth and re-booker rates?

We target an average occupancy over the year of 95%. Although we still don't have many years of data there appears to be a seasonal pattern that sees occupancy peaking in early autumn before drifting down over the winter period. The average license length is c.10 months with c.75% of residents initially signing up for 12 months.

Renewal rates are around 40-50% meaning that the average length of stay is c.15 months. Co-Living rental growth mirrors that of the wider BTR market, with our assets seeing strong growth in rents over 2022/23 when inflation was in double digits. Rental growth has slowed in 2024 as inflation has eased and affordability issues have become more apparent. Over the medium term, we would expect rents to move in line with wage inflation.

Q So far you've been very London-focused. Why is that and are there plans to expand into the regions?

We believe the fundamentals for Co-Living are much stronger in London compared with regional markets. Co-Living works best in markets where affordability issues are so acute that many single renters are unable to access the traditional BTR market.

International cities like London also benefit from a regular influx of people every year who are new to the City, and Co-Living is perfect for meeting the needs of this cohort. As a result, our focus is likely to remain on London for the time being, albeit we would consider investment in selected regional markets if the right opportunity came along.

THE OPERATOR

VervLife

FEATURING

Katherine Rose

MANAGING DIRECTOR, VERVLIFE

Q ***In your view, what are the key wants and demands from residents in Co-Living developments?***

The feedback we receive is that a sense of community and events is key, as is the flexibility and length of stay. Some residents may have relocated for work or had a change in personal circumstances and only need something for a short period.

Others want to commit for longer and some want to try it before committing long term. All-inclusive rents are a real positive, especially with increased cost of living pressures. Residents can therefore budget easily with no added costs or extra gym memberships, for example. Location is still a driving factor, as is the price point. Resident demands are also generally consistent regardless of location.

Q ***Have the demands of Co-Living tenants changed in the short time the sector has evolved over the past few years?***

The sector is still very much evolving. With few operational schemes, it's probably still too early to identify trends, especially with a mix of hotel and sui-gen consents. Post-covid, with the increase in working from home, having sociable and quiet Co-working spaces has proven popular.

Flexibility is also key. Being able to transform a space and its use across the day or week means spaces are better used. Activating them needs a joint approach between on-site teams, residents, clients and managing agents. If a space is not used, it affects the resident experience as well as the net operating income. The size, fit-out and location of amenities such as gyms and media rooms also impact whether they are successful. What's on offer in the wider community also has a bearing on what's included and demanded by residents.

Q ***Are you seeing students attracted to Co-Living schemes? And if so, why do you think this is the case?***

Yes - this is driven by several factors, not least the time of year the scheme opens. If this coincides with the rebooking of student accommodation then there is likely to be more students applying.

Price point also plays a part, especially as students can make the direct comparison with PBSA and their all-inclusive rents. Some attract more overseas students than UK students but that is location-specific. Students should not always be seen as a negative as they are generally well-behaved and frequently renew which reduces voids. However, we're working on some pre-planning schemes where local authorities are looking to restrict students in Co-Living schemes.

Q ***You have experience in managing Co-Living as well as BTR. What are the key differences from an operational point of view that distinguish Co-Living from those other operational asset classes?***

There are a range of differences between BTR (multifamily and single-family) and Co-Living. Not least the Opex – operational running costs. Co-Living schemes have larger on-site teams. More events and amenities result in greater cleaning costs.

Short and long stays in Co-Living result in greater resident churn and engagement. We typically offer 3, 6, 9 and 12-month agreements as well as longer stay options in Co-Living. In BTR we would expect 12, 18 and 24 months. Therefore, in some respects, Co-Living has more similarities to PBSA than BTR.

Q ***What are the operational pain points? Does technology play a part in solving these?***

Property management is not easy. Our team have a wide range of responsibilities dealing with finance, budget setting, chasing rent arrears, health and safety compliance, resident engagement, client reporting, people management and more – all in one day!

Having the skillset to work across all these areas should not be underestimated. Property management tends to have an 80/20 split - 80% of it runs smoothly, and 20% doesn't. The latter could be anything from a major on-site issue such as a flood, electrical outage or wellbeing matter. The teams are constantly re-assessing priorities and dealing with them accordingly. Whilst automation and smart technology can pre-empt some of these issues, we won't be replacing our people with robots anytime soon!

Q ***You also get involved early in the design phase. What are the things developers and architects often forget about?***

Exactly, operators should absolutely be brought in to advise at the earliest opportunity. We can add value by identifying operational efficiencies and suggesting ways to improve the resident experience. The examples are numerous but a few key ones to highlight.

Bins and waste collections, What's the strategy? The frequency of collection? How many bins are in the bin store? Will it be a private off-curb collection and what are the associated costs? Will we need a bin tug if there are level access issues and if so, where's it stored?

The average person has over 70 parcels delivered a year. If no parcel room or lockers then it is more than a full-time job for the front of house to deal with. If back-of-house storage is squeezed then where's the seasonal paraphernalia stored and how do all the events run smoothly?

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