CENTRE for LiveableCities SINGAPORE

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Figure 1: Many co-living developments feature communal facilities such as working spaces, kitchens and living areas that provide room for socialising.
Source: Helena Lopes

Making Space: Prospects for the Growth of Co-Living in Singapore

Co-living is a popular housing option for young adults moving to major cities in pursuit of professional opportunities. In many cities, co-living is an affordable and attractive alternative to the conventional housing market, where rentals for well-located homes remain beyond the reach of those without a generous expatriate package. However, can such a business model be successfully replicated and grown in Singapore?

CO-LIVING IS APPEALING

Most co-living units are located in residential buildings such as apartment blocks and houses. Tenants enjoy the private use of a bedroom while sharing communal but home-like common spaces, such as living, kitchen and work areas. This fosters a sense of community among residents, many of who may be new arrivals in an unfamiliar city.

In many major cities, co-living units make it possible for young professionals to live in areas close to commercial, recreational and other conveniences, often at a much lower cost than similarly located homes in the conventional rental market. Additionally, many co-living operators only charge residents a flat rental fee,[1] with no additional payments for essential services like utilities and cleaning.

Flexibility is key. Unlike traditional rentals that require a minimum occupancy period of at least a year, co-living companies typically allow tenants to lease units for short periods, sometimes as brief as one month.[2] This flexibility accommodates the mobile lifestyles of young professionals, especially for those without fixed-term contracts or long-term plans.

Like their counterparts in the sharing economy, co-living companies use technology to make it easy for prospective tenants to secure and move into a living space. They maintain websites and mobile applications that provide detailed, updated and transparent information on the location of facilities, available bedrooms, provided services and rental fees. Users can request virtual room viewings and confirm their reservations at a click. There is also no need to deal with landlords and estate agents, tenancy agreements and contracts, and agent fees, stamp duties or any other charges.

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CO-LIVING DEVELOPMENTS ARE INCREASING

In London, start-up firm The Collective operates the largest co-living project in the world, a 550-unit property called Old Oak in a rapidly gentrifying, former industrial area located just north of Notting Hill. Featuring a mix of single-occupancy studio units and larger en suite apartments, the complex also offers extensive common spaces for interaction and recreational amenities such as a gym and sauna, and work lounges. Founded in 2010, its popularity with urban professionals has seen the company expand rapidly in recent years. In 2018, it acquired a property in New York City to build a 350,000-square foot co-living complex.

The United States-based company Common manages a portfolio of 800 co-living units in 27 residential properties in six major cities, including New York, San Francisco and Seattle. Its New York properties are mainly located in refurbished brownstone houses with a more diverse mix of small and mid-sized units. Residents share common facilities such as a kitchen, small gym and sundeck in a home-like space. Like The Collective, Common, which was founded in 2015, is expanding quickly: it plans to offer almost 2,000 co-living units by the end of 2019.

Sakura House is a Japan-based company operating a network of more than 60 residential properties in Central Tokyo. The majority of these properties are located in locations popular with young urbanites such as Harajuku and Roppongi. Established in 1993, the company's operations have expanded in tandem with Japan's growing immigrant population of students and working professionals. It now even operates co-living projects for Muslim residents, with halal kitchens and prayer rooms.

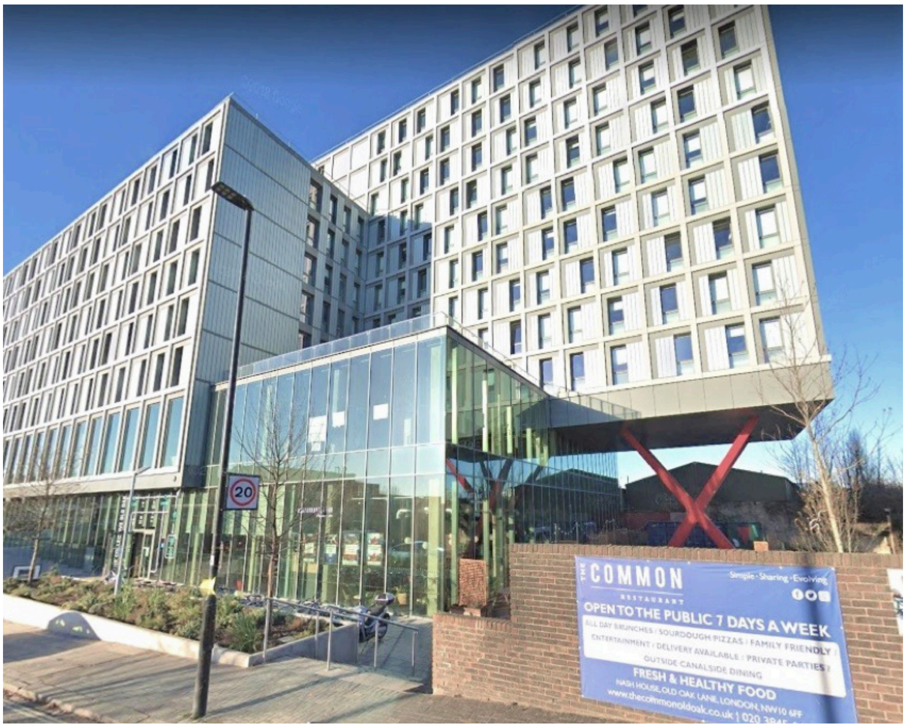

Figure 2: Old Oak, a large co-living project operated by start-up firm The Collective, is located in London.
Source: Google Street View

Co-living firms currently operating in Singapore include Hmlet, Mamahome and Ascott.

Hmlet is a local start-up founded in 2016 that manages a portfolio of apartments in prime areas such as Orchard and River Valley. In early 2018, Hmlet leased and converted two entire residential complexes in Joo Chiat and Newton into co-living facilities. It recently launched a 150-room co-living facility at a state-owned property at Cantonment Road, its biggest so far. Mamahome is a Shanghai-based start-up currently operating co-living units here under the brand name Login Apartment. It started out operating a small number of units in a Redhill condominium in 2018, but now offers several rooms in developments located across Singapore, including Novena, Orchard Road and Katong.

On a significantly larger scale, the hospitality-focused CapitaLand subsidiary Ascott is developing three co-living complexes at Hill Street, Perumal Road and Nepal Hill[3] under its co-living brand *Lyf*, established in November 2016. These developments are scheduled to be completed by 2021 and will add almost 900 co-living units to the market.

In a sign of growing confidence among local investors about the potential growth of the co-living sector, Hmlet and Mamahome have attracted funding from key players in Singapore's real estate and construction sector. Hmlet's largest

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single investor is Aurum Investments, a Singapore-based subsidiary of the public-listed construction firm Woh Hup Holdings, which has committed S$2 million to fund the company's growth. Mamahome, on the other hand, has raised S$20 million in funding from property developer City Developments Limited, which now owns a 20% stake in the company.

SIMPLICITY BUTTRESSED BY INNOVATION

The co-living business model is relatively simple: operators rent residential units from landlords, then sublet bedrooms in these units to residents while providing basic facilities management and hospitality services. The co-living sector's key innovation is its use of technology to deliver a seamless booking process that cuts out intermediaries and ancillary payments.

The main characteristics – asset-light, tech-driven – of this model are similar to those of other sharing economy sectors. However, although companies like Airbnb and Grab have rapidly muscled their way into the hospitality and private transport sectors, respectively, co-living firms have yet to significantly disrupt the conventional rental housing market.

The co-living sector is still fledgling despite its emergence in the mid-2010s. It currently consists of only a few players offering a limited stock of units. This is surprising since co-living firms, unlike their counterparts from the home-sharing and ride-sharing industries, face no direct institutional or legal barriers to growth.[4]

Operators are free to sublet individual bedrooms in an apartment as long as they obtain the agreement of their landlords and comply with the Urban Redevelopment Authority's (URA) requirements that (i) residents stay in the unit for no shorter than three consecutive months, and (ii) the total

Figure 3: Japan's Sakura House operates a network of co-living projects in small apartment buildings across Tokyo, including this four-storey facility in Shibuya. *Source: Google Street View*

number of occupants per unit does not exceed six. Co-living companies also do not need to obtain estate agent, hotel or other licences.

CAN CO-LIVING TAKE OFF IN SINGAPORE?

Factors such as expensive rentals, fixed one- to two-year tenancy contracts and the hassle of dealing with intermediaries, have driven the growth of co-living concepts abroad. These factors are also present in Singapore, and have facilitated the growth of the co-living sector here. However, room for further growth is likely to be limited. Could new and innovative approaches enable this industry to expand?

SPACE IS A CRITICAL CONSTRAINT TO GROWTH

A key impediment to the growth of co-living businesses is the difficulty in acquiring and maintaining a long-term supply of rental housing units. In Singapore, co-living firms not only compete with other potential tenants for residential space in an established leasing market, but also have to meet their landlords' demand for market-rate rentals, while keeping co-living rents affordable and attractive to their target customer base of price-sensitive, savvy young professionals.

Other challenges relate to social norms and economic factors.

Landlords who are unfamiliar with co-living concepts may be resistant to the idea of subletting their home to a master tenant – in this case, a co-living firm – and ceding control over the profile (e.g., nationality) of individuals occupying their properties.

Given the dynamic, fast-changing nature of Singapore's property market, landlords may prefer to retain the flexibility to cash out on their investment properties at short notice whenever housing prices rise. Tenancy agreements generally do not last multiple years (with one- or two-year contracts being the norm), making it difficult for co-living firms to make long-term plans.

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One feasible growth strategy could involve co-living firms working with property developers to rent out entire residential complexes (or at least a sizeable number of units in their developments). This not only allows such firms to operate on a larger scale, but also enables them to reap operational economies of scale, i.e., concentrating their efforts at a single site, rather than across multiple locations.

However, there are very few developers with the financial capacity to retain ownership of sizeable numbers of residential units, because Singapore's laws and regulations make this very costly.[5] In any case, most housing developers start marketing and selling units in their projects as soon as they obtain planning and other regulatory approvals, because progress payments received from purchasers are an important source of funds for construction.[6]

As for the small number of completed projects still under the sole ownership of developers, many are already being leased on the rental market (for example, through corporate leasing arrangements) or have been converted into serviced apartments.

Ascott, one of the few developers with the aforementioned financial capability, purchased a piece of land at Nepal Hill to develop a co-living complex. It has also established another co-living facility at Funan Centre, which is owned by its parent company CapitaLand. In this way, it has been able to avoid many of the challenges encountered by small start-ups. In addition, its upcoming *Lyf* projects are not subject to the URA's three-month minimum stay rule for residential premises, since they have been approved for serviced apartment or "short-term stay" use.[7] Units in these projects can potentially be leased on a nightly or weekly basis to transient visitors such as tourists. This will significantly enlarge *Lyf*'s customer pool and widen its revenue stream.

Figure 4: Singapore-based Hmlet operates a co-living facility in this Joo Chiat condominium complex.
Source: Ken Lee

CREATING SPACE FOR GROWTH

The government's promotion of knowledge-intensive industries such as TMT (technology, media and telecommunications) as a critical driver of economic growth suggests that Singapore's demand for highly skilled labour will grow. The city will also continue to attract global talent seeking professional opportunities, due in part to its reputation for liveability, safety and regional connectivity.

There is thus economic value in facilitating the expansion of the co-living sector, which will provide a more attractive and affordable form of rental housing to young

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professionals arriving in Singapore for work. For example, the monthly rent on a four-bedroom unit at the The Cairnhill condominium (in the Orchard area) ranges from S$6,000 to S$7,000. In comparison, a master bedroom operated by Hmlet at the same development can be rented for as little as S$1,350.

Co-living could also fill a niche in the market for young Singaporeans wanting to live independently in a convenient location but are ineligible for public housing or do not have the financial means to purchase private properties.

For co-living businesses to expand in a meaningful way, they must have access to a reliable supply of rental space beyond the residential leasing market. Ideally, these spaces should be located close to employment centres, shopping belts and other recreational amenities.

PLANNING INTERVENTIONS CAN FOSTER GROWTH IN THE SECTOR

Land use and planning agencies can consider planning interventions to foster growth in the co-living sector, such as by allowing co-living facilities to be developed on non-residential land. For example, State properties such as vacated schools, government buildings and community centres provide adequate floor area for communal living concepts. With retrofitting, classrooms and studios can be converted into living and working spaces. The more extensive areas can be re-purposed into communal facilities.

Planning and land-use-related interventions to foster the growth of the co-living sector in Singapore could encourage the development of ecosystems of professionals such as architects and spatial designers involved in the creative adaptation of non-residential buildings and conventional residential spaces into new and different forms of communal living.

Figure 5: State properties such as this one at Kadayanallur Street in Tanjong Pagar are ideally located for co-living facilities. Spaces such as these can potentially be converted into co-living units. *Source: Ken Lee*

Figure 6: Vacant retail space in a Singapore shopping centre. *Source: Ken Lee*

Additionally, market-based concepts developed in the co-living sphere may be applicable to other forms of community-based residential typologies, which include seniors and low-income individuals. Ideas developed in this sector could even be adapted to public housing developments, complementing the government's recent efforts to reduce social stratification and promote inclusiveness through spatial interventions.

In this way, policy interventions to facilitate the growth of the co-living sector may not only benefit the operators themselves, but also potentially improve the design and planning of public spaces and community developments.

Notes

1 In some cases, rentals are positioned as "membership fees" in a co-living facility. Residents pay for the use of a bedroom, but can choose to move to another bedroom within the same fee category across the co-living operators' portfolio of units.

2 This depends on the city's planning guidelines on the use of residential premises. For example, residential dwellings in Singapore are subject to a minimum tenancy period of three consecutive months. In some of Tokyo's municipal wards, the requirement is 30 days. Many co-living companies have a staggered fee structure, with lower rates for longer tenancies.

3 Ascott's Hill Street co-living facility was built as part of CapitaLand's redevelopment of Funan Centre. The Perumal Road site was offered for sale through the Urban Redevelopment Authority's (URA) Government Land Sales (GLS) programme, and is located within the Little India conservation district. Ascott is partnering the owner-developer of the site, Low Keng Huat (Singapore) Limited, to build and operate a co-living development there. The Nepal Hill site is located on JTC Corporation land at one-north Singapore.

4 In Singapore, short-term stays (defined as residential stays lasting less than three consecutive months) such as those offered by Airbnb are an offence under the Planning Act. The Land Transport Authority (LTA) has imposed regulations on private transport operators, including a requirement on drivers to obtain a Private Hire Car Driver's Vocational Licence (PDVL).

5 Introduced in December 2011, an Additional Buyer's Stamp Duty (ABSD) is levied on all residential property purchases, including residential land purchased for development. However, property developers can enjoy an ABSD remission of up to 25% of the purchase price if they sell all units in their projects within five years of the purchase.

Under the Residential Property Act, public-listed companies and foreign developers must obtain a Qualifying Certificate (QC) from the Singapore Land Authority (SLA) to purchase residential land for development. A QC holder must sell all units in a project within two years of obtaining a Temporary Occupation Permit (TOP) or pay a fee to extend the sale period. For an additional year of extension, the penalty is 8% of the land purchase price, pro-rated to the proportion of units in a project still unsold.

6 Housing developers must obtain a sale licence from the Controller of Housing (COH) in order to market and sell units from uncompleted developments. The COH can issue this licence as soon as the developer obtains planning and building plan approvals from the URA and the Building and Construction Authority (BCA), respectively. The COH must also be convinced that the developer has satisfied all of its licensing criteria.

7 The *Lyf* projects at Hill Street and Perumal Road have been approved as serviced apartments, while the project at one-north will house residential units for "short-term stay".

Author

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