

# Co-living, a growing trend in accommodation



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Tan & Tan Developments' CoLiv @ Damai Residence in Ampang and UOA Group's Komune Living in Bangsar South were completed in 2019

BY **CHUNG YING YI**  
city.country@bizedge.com

There are often two noticeable elements when it comes to co-living — the cost savings through the sharing of facilities and amenities, while still having one's privacy and personal space, and the sense of community among the residents of the space.

According to Rahim & Co International Sdn Bhd director of research Sulaiman Saheh, co-living is seen as a way of having an affordable living space by sharing costs and common areas with other residents without completely forgoing your privacy. The concept embodies a more communal way of living as opposed to the traditional, more isolated single-dweller home.

“This niche asset is favoured as a complementary product in an integrated development, especially in transit-oriented developments (TODs) and commercial and education hubs. The concept was born out of the co-working and sharing economy culture that is growing among millennials and the young working population,” he says.

“Just as with hotels and shared rental homes, anyone can seek residence in a co-living home for any reason and length of time. Suited more for individuals who desire to have a more nomadic lifestyle or a short-term and flexible place of residence, co-living offers a range of options at various price points without having to choose between outright budget hostels and hotels.”

Savills Malaysia Sdn Bhd managing director Datuk Paul Khong says the definition of space use in co-living gets more creative when the common area is used as a place to relax, collaboration zone or game space, which may attract and benefit potential renters. Such settings often lead to collaboration and the formation of a community among like-minded individuals who are juggling their work and personal lives.

Based on several Savills research publications, co-living is gaining in popularity because of the ever-increasing development costs, housing unaffordability and, in some cases, acute housing shortage in cities like Hong Kong, London and Singapore.

Co-living also appears to be a solution for young adults or fresh graduates before they own their first home or start climbing the corporate ladder. “Driven by the perks of a hassle-free system, sociable environment and easy access to lifestyle facilities

in just one bill, co-living appeals to those looking for the living experience without forgoing their personal space. This is where operators are rolling out new innovative schemes that offer wider facilities to entice renters,” says Khong.

“For instance, co-living in Australia sprung from the conventional and already mature purpose-built student accommodation (PBSA) property sub-sector. The existing strong foundation in the PBSA sector has installed strong momentum for such divergence to a new differentiation such as the evolution of the co-living concept. The success of co-living is in response to the 1.46 million population in the 24 to 39 age group who rent homes across the country.”

Sulaiman notes that there are several similarities between student accommodation and co-living. However, on top of the restriction of having only students as residents, student accommodation may not be as fully equipped as a co-living space, as the primary reason is to provide the students with a shared residence near their education institution. But in co-living spaces, residents are of diverse ages and backgrounds, including their marital and employment status.

## Co-living in Malaysia

The co-living trend in Malaysia began to take off in 2016, primarily in central locations such as Greater Kuala Lumpur, according to Khong, and that the residential rental market then was rather mixed in terms of property types. “The operating concept of co-living schemes in Greater KL is similar to that overseas, which targets digital nomads, foreign working individuals and professionals, and frequent travellers,” he says.

Existing co-living developments that are managed by private operators in Selangor include JL Coliving in Subang Jaya's USJ 21 and The Mines in Seri Kembangan (completed in 2018) and The Hatchery Place in Subang Jaya's USJ 11 (completed in 2016). In Kuala Lumpur, co-living spaces include L'Ve Space in Taman Tun Dr Ismail (completed in 2019), Tan & Tan Developments Bhd's CoLiv @ Damai Residence in Ampang (completed in 2019), UOA Group's Komune Living in Bangsar South (completed in 2019) and Komune Living & Wellness in Jalan Tasik Permaisuri 2 in Bandar Tun Razak (completed in 2021).

An upcoming co-living development to look out for is The Ascott Ltd's lyf in Jalan Raja Chulan, KL, which is slated for completion this year.

Sulaiman says developments that are intentionally designed and commercialised around the concept of co-living is still relatively new and more of a novelty in Malaysia. Co-living developments are still finding a foothold in the local market.

However, when compared with the traditional renting of housing, involving several housemates who share the same space, co-living seems to be a revamped version with better quality facilities and proper management by an operator who acts as the landlord.

Globally, the co-living concept has been steadily gaining traction, especially as a niche market among millennials, who are likely to adopt the nomadic lifestyle.

“Co-living has not gained popularity in Malaysia as it has in places like Hong Kong and the UK because of the nomadic lifestyle that is practised there, which goes hand in hand with co-living. By comparison, stable long-term home renting or outright homeownership is more prevalent in the Malaysian residential market,” says Sulaiman.

“Also, some argue that co-living arrangements are viewed as an alternative accommodation arrangement. A more compact living arrangement, but with the convenience of contemporary facilities and modern communal setting at a price tag that is lower than having to rent a whole apartment unit, provides the option for young urbanites to stay close to the city.”

He adds that developers have been using co-living accommodation as a new way to market or rent out units through an operator without having to use the term “rental house”.



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ing”, which has a cheaper undertone to it. While the bigger picture may still show housemates renting a unit together, the premium facilities, amenities and overall aesthetic design of co-living spaces are used to differentiate them from the traditional homes shared by a group of friends.

“Normally, landlords of traditional homes would provide prioritised and standard facilities such as the dining and television

areas and kitchen. But with co-living, the range of offerings are extended to appeal to a wider range of urbanite tenants, which includes cosy patios, rooftop barbecue and garden areas as well as working spaces like meeting rooms and hot desks. To further elevate these spaces are high quality finishing, contemporary interior designs and modern furnishings,” says Sulaiman.

“Tenants may bring in their own items and decorate them for a more personal touch. But this is subject to the terms set by the co-living operator as the spaces must remain shareable and universal for easy exchange of tenants. Some co-living developments may include a sort of at-home office area shared by the tenants for work and a common lounge for socialising.”



Khong: Co-living units are fully furnished to make the renters' stay totally hassle-free

Khong concurs. “Co-living units are fully furnished to make the renters' stay totally hassle-free and complimentary cleaning services are paramount in these schemes to keep the units comfortable.”

Sulaiman believes the main challenge of building co-living developments is competing with the option of simply buying one's own residence, though it could be a small unit, if the monthly cost of co-living is comparable with paying a monthly mortgage.

The security and safety features that come with home ownership remain strong in the Asian culture. Therefore, the often-mentioned benefit of flexibility in co-living does not hold up against the desire to own a permanent home.

## Post-pandemic co-living trend

Khong says that with the Covid-19 pandemic, co-living operators are working to maintain occupancy levels and revisiting how they can operate innovatively in managing shared spaces and facilities while continuing to adapt to the new norms post-pandemic.

Consequently, the co-living business in Malaysia will continue to grow when the pandemic eventually subsides, says Khong. “The established corporate entrants ventur-

## Existing co-living developments in the Klang Valley

DEVELOPMENT	OPERATOR/ TYPE OF PROPERTY	LOCATION	NUMBER OF ROOMS/ UNITS	COMPLETION DATE	PRICE	AGE GROUP	FOOTPRINT	AVERAGE TENURE
CoLiv @ Damai Residence	Tan & Tan Developments/ Standalone high-rise	Damai Residence, Lorong Damai 13 Kiri, Kuala Lumpur	174	2019	Starting from RM1,000/month	24 – 35	30% locals, 70% foreigners	6 months
Komune Living	UOA Hospitality/ Standalone high-rise	Bangsar South, Kuala Lumpur	648	2019	Starting from RM1,900/month	25 – 45	Private business owners, students, IT professionals	Short- to long-term stays
L'Ve Space	Private operator/ Shopoffice	Persiaran Zaa'ba, TTDI, Kuala Lumpur	7	2019	Starting from RM900/month	25 – 35	Working individuals/ foreigners	Short- to medium-term stays
JL Co-Living Space	Private operator/ Shopoffice	1) USJ 21, Subang Jaya; 2) Jalan Mines 2, Seri Kembangan	50	2018	Starting from RM650/month	17 – 30	Students, working adults	Short- to medium-term stays
The Hatchery Place	Private operator/ Private residence	USJ 11, Subang Jaya	3	2016	Starting from RM385/week	23 – 45	Working individuals/ foreigners	3 – 4 weeks

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Shaman: In cities like Hong Kong, co-living has gained in popularity as it addresses some real social needs

ing into the co-living business in pre-pandemic times with their respective standalone buildings mirror the movement in established cities, by having purpose-built assets to create quality rental space,” he adds. “The blurring of conventional real estate sector definitions for co-living spaces is similar to the injection of co-working space into the purpose-built office and some commercial-titled high-rise residential developments. As remote working will be one of the working modes post-pandemic, there is more potential for new openings, especially in suburban addresses, and this demand will be enhanced over time.”

Sulaiman notes that co-living may likely be the future of temporary housing for individuals who have yet to find their permanent place of residence but are still able to afford and experience a good quality of life as a tenant in core urban areas.

Moving forward, more demand may likely come from the younger generation, who are less attached to the idea of permanent ownership and may find a communal environment more appealing, as opposed to the more private and isolated homes.

“With the ever-changing demographics and changes in lifestyle, the needs and priorities of new and young urbanites of the future that embrace the nomadic work culture may fuel the growth of this niche market, synergising with the growth of TODs and integrated compact developments,” says Sulaiman.

## Co-living abroad

In cities like Hong Kong, co-living has gained in popularity as it addresses some real social needs, says Colliers Asia senior director of valuation and advisory services Shaman Chellaram.

The sector has sustained occupancy rates of between 80% and 95%, and its offerings range from budget solutions to premium products. Hong Kong is a densely populated city and the least affordable housing market globally, thus property supply is limited, especially in key urban areas.

“The average house size is very small at about 400 sq ft and the space can be tight for a family. Most individuals struggle to buy or rent a place of their own, especially one that is well designed with good facilities in a core urban location. Rental periods in the private market are 12 to 24 months and provide limited flexibility that includes the additional cost of furnishings and utilities,” says Shaman.

Colliers Hong Kong associate director of valuation and advisory services Pureanae Jang notes that co-living operators address such issues by providing well-priced, fully furnished design-led solutions in accessible locations with more flexible lease terms, and co-living has become an affordable option for young professionals who want to be more independent.

The sector serves a tangible need in the market and is an important new rung on

the housing ladder. It provides young professionals with a different option in the market with a higher perceived value socially and economically, at the given price point.

“The success of co-living developments will ultimately depend on each operator's ability to target the end-user and curate the right ecosystem for residents to be part of the wider community and the benefits that this provides. We are also seeing some co-living operators pivot to cover the wider rental housing/serviced apartment market in recent months, thereby providing their customer base with a wider product offering,” says Jang.

“In Malaysia, meanwhile, where the cost of living and housing is cheaper on a relative basis to Hong Kong, people may opt to buy



Jang: While the wider Malaysian market may take time to embrace co-living, Kuala Lumpur is already showing signs of growth in this sector

or rent, or live with their parents. While the wider Malaysian market may take time to embrace co-living, Kuala Lumpur is already showing signs of growth in this sector.”

Likewise, co-living is evolving in London as it is not just simply renting a room, but by providing a social element and communal spaces for people to interact. “The changing work patterns, rising loneliness, chronic undersupply of rental accommodation and the emergence of the shared economy have also contributed to the growth of co-living there,” says Knight Frank Malaysia executive director of capital markets James Buckley.

“Additionally, the high house price-to-income ratio of 14.5 times makes it difficult for young professionals to get on the property ladder. For instance, a first-time homebuyer would need to pay a deposit of £100,000 for an average London house priced at £490,000.”

Knight Frank London head of build-to-rent and funding Jonathan Stevenson reckons that optionality and affordability are key factors that drive the demand for co-living in London. “It provides a step up for those recently out of higher education or new into the workplace, and this is typically the demographic that makes up the bulk of co-living tenants. A lot of young

people here are unable to afford build-to-rent (BTR) or traditional private rental costs, so co-living provides a welcome step up from student accommodation, allowing tenants to establish themselves work-wise,” he explains.

“Following this, the next stage is advancing to a BTR block, private rental or a purchase. Lack of stock is also driving demand, whereby renters want to live in co-living schemes but there are limited operational ones available. Subsequently, co-living is not the future of housing,

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Buckley: The co-living market in Malaysia will need to cater for those with lower incomes and, thus, are quite cost-sensitive

it does, however, provide another option and gives greater flexibility to the renter. As it develops, there will be more demand for it from both a product and investment perspective, and as schemes are completed and tenants become more aware of the options available to them, the take-up rate will increase.”

Knight Frank Malaysia executive director of research and consultancy Judy Ong says that although the segment's share of London's housing market may be small, co-living is a growing concept and is widely embraced by a spectrum of occupiers/tenants. However, co-living developments here would generally offer fewer facilities due to the smaller-scale or niche projects.

Compared with London, the co-living

Ong says that moving forward, co-living presents an opportunity for key players to secure a first-mover advantage in this largely untapped market

trend in KL is emerging at a slower pace, driven in part by affordability issues that make it difficult for young single professionals to own a property, particularly if they want to live in the city centre, says Buckley. It is also a cheaper alternative to renting an entire apartment or house that requires a 2+1-month cash deposit as well as the utilities, broadband and furnishing costs.

“The co-living market in Malaysia will need to cater for those with lower incomes and, thus, are quite cost-sensitive. The challenge for those who want to get into this niche segment is that they will need to find opportunities close to good transport or infrastructure that can be developed or converted while generating a decent investment return,” he adds.

Ong reckons that moving forward, co-living presents an opportunity for key players to secure a first-mover advantage in this largely untapped market. However, there is a need for developers and investors to critically evaluate the characteristics of their proposed developments or investments (assets) amid prevailing market sentiments before venturing into this niche segment, taking into consideration the development, refurbishment or repurposing costs, where relevant.

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