Celebrating **50 years** in Singapore

Research | Singapore | June 2023

Co-living in Singapore: Here to stay

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Contents

Weave Suites - Midtown
Image courtesy of Weave Living

Introduction

In 2019, JLL published our report titled "Co-living in Singapore: Communal living at your convenience". Since then, the co-living sector has evolved and blossomed forth, particularly after the COVID-19 pandemic, as an alternative to conventional accommodation options in Singapore. What was once a space largely occupied by expatriates, international students, and travellers has undergone a major evolution catering to the changing lifestyles and housing needs of a wider following, including local Singaporeans. Investors and developers are also showing a growing appetite for co-living assets, indicating increased confidence in the sector's growth potential.

As Singapore's co-living sector is in its nascent stage, and with limited market information available, JLL invited more than 30 domestic and international groups to participate in our inaugural "Co-Living Investor Sentiment Survey" to gain a deeper understanding of how investors underwrite their co-living real estate investments. We also interviewed various co-living operators to enhance our knowledge of the industry.

The key takeaways from the survey and interviews are presented in this report, and offer insights into the current state and future prospects of the co-living industry in Singapore. This report also provides information for investors, operators, and stakeholders interested in understanding the dynamics, challenges, and potential of this growing sector.

Coliwoo 1A Lutheran
Image courtesy of Coliwoo

The concept of co-living

Co-living is a modern communal living concept that provides tenants with private rooms in a shared living space, along with common amenities as well as added conveniences and perks, such as housekeeping and maintenance services, free Wi-Fi, invitations to community events, and brand memberships. Designed to foster community, collaboration, and relationship-building among residents, co-living has become an alternative option for those seeking flexible accommodation for both short-term and long-term stays.

The Urban Redevelopment Authority (URA), Singapore's land use planning authority, does not classify co-living as a planning typology, but as a marketing concept that encompasses developments with living spaces, communal facilities, and programmes that encourage social cohesiveness and community bonding. Therefore, co-living products are generally allowed in developments zoned for Residential – including private residences and serviced apartments – and Hotel uses.

Depending on the zonings and property types, co-living products therein are governed by the respective minimum days of stay. Consequently, various co-living establishments tend to have different minimum stay requirements, resulting in differentiated target markets and strategies (refer to Figure 1).

Figure 1: Types of leased accommodations in Singapore

Property type	Land zoning	Minimum duration of stay	Minimum size
Residential	Residential **or** mixed-use sites with a residential component	**3 months**	**35 sqm** per unit
Serviced Apartment	Residential **or** mixed-use sites with a residential component	**7 days**	**35 sqm** per serviced apartment unit*
Hotels	Hotel **or** other sites with a minimum hotel quantum	No requirements	**11 sqm** per room

*Minimum size of units could differ for proposals with unique layouts
Source: URA, Hotels Licensing Regulations, JLL Research

The Singapore co-living landscape

Consolidation of industry players

The Singapore co-living market has undergone significant restructuring in recent years, with mergers and acquisitions becoming a common strategy for key players looking to expand their market share and reach new customers.

Hong Kong-based co-living operator Dash Living's acquisition of Easycity in Singapore in 2020 was a strategic move to enter Singapore and expand its footprint in the Asia-Pacific region to capitalise on the growing demand for co-living products in the region. Similarly, in 2022, The Assembly Place's acquisition of Libeto's assets in Singapore, including the properties managed by its local co-living arm Commontown Singapore, was a way to consolidate its position in the local market and enhance its offerings to customers. The merger between Habyt, a prominent European co-living company, and Hmlet in the same year is another notable example of the trend towards consolidation in the co-living market. By joining forces, the two companies, with a presence in multiple regions and a diverse portfolio of properties and services, aimed to become a larger and more competitive player in the global co-living market.

Overall, the trend towards consolidation in the co-living market is driven by the need for companies to reap economies of scale and stay competitive in a rapidly growing and evolving industry. As the demand for co-living spaces continues to increase, more mergers and acquisitions can be expected as companies seek to expand their reach and offerings to meet the needs of various customer segments.

Dash Living on Kinta
Image courtesy of Dash Living

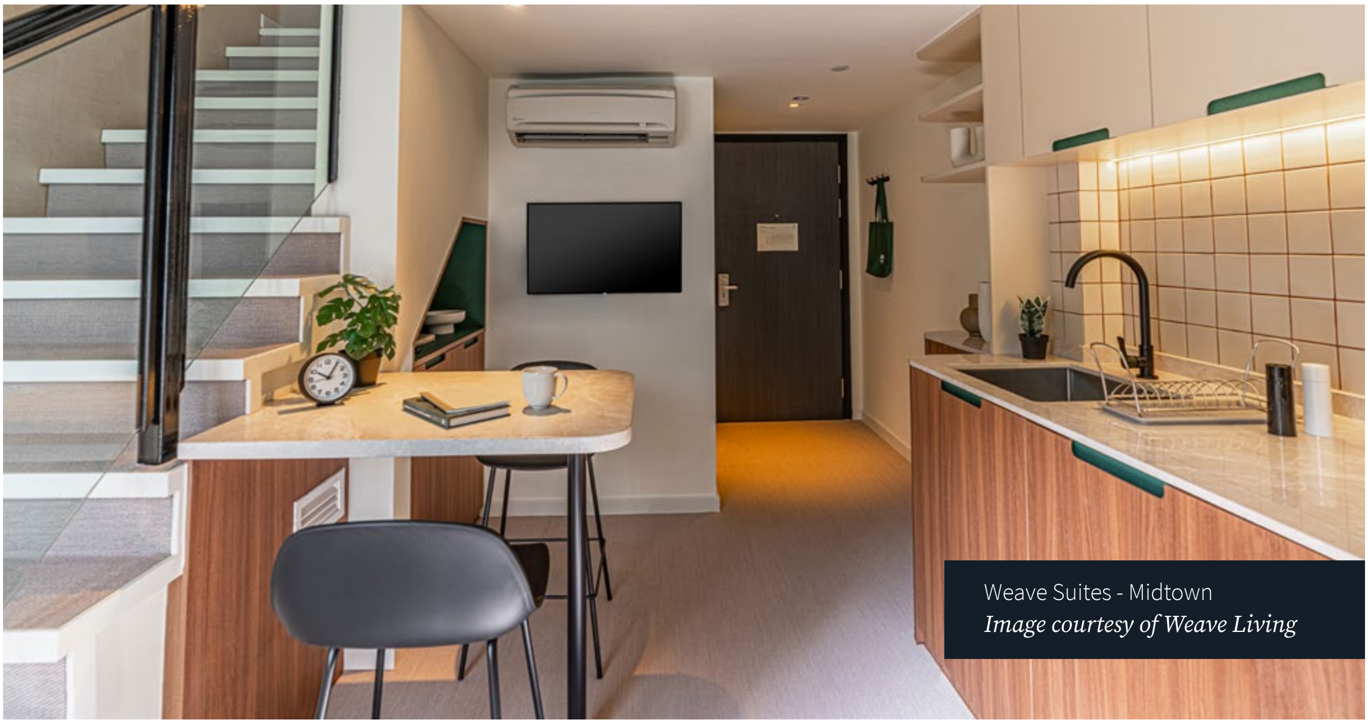
Evolution of physical product

Amidst changing tastes and preferences, the physical co-living product has also undergone an evolution, particularly after the pandemic. **There is a trend towards more private rooms that come equipped with their own kitchenette, washer-dryer, ensuite bathroom and TVs.** This is driven in part by a greater emphasis on personal health, hygiene, and wellness, as well as a desire for greater privacy and convenience among co-living residents.

Co-living operators who can provide these facilities are likely to be better positioned to attract and retain tenants. However, it is worth noting that private rooms charge a premium compared to conventional co-living arrangements with more shared spaces and amenities.

Operators interviewed by JLL have highlighted the importance of understanding guest requirements and having provisions to fulfil such needs. For example, to encourage guests to utilise shared spaces and amenities and to create a sense of community, The Ascott's first co-living space at lyf Funan did not provide in-room TVs for their entry-level units. With guest feedback, later product iterations at lyf Farrer Park and lyf one-north included in-room TVs to cater to longer-stay guests.

We expect co-living products to continue evolving as operators seek to meet the changing needs and preferences of residents.



Weave Suites - Midtown
Image courtesy of Weave Living

Sustainability on the agenda

Sustainability is among the priorities of co-living providers in Singapore. Incorporating sustainability into the design and development of co-living real estate and operations contributes to a more sustainable future, while enhancing their competitive edge, business value, and market standing.

The following are some examples of how Singapore co-living players are integrating sustainability into their properties and operations:

- lyf one-north Singapore was designed and constructed to meet green certification standards and it obtained the Building and Construction Authority's Green Mark GoldPLUS certification in 2020. Prominent green features include extensive use of energy-efficient LED lights in all areas with the provision of motion sensors in staircases and common toilets, delivering up to 33% of energy savings. Intelligent occupancy sensors are also fitted in all units, contributing up to 36% of energy savings.

- Dash Living has incorporated smart energy management systems with HVAC automation to reduce energy consumption and operational costs. It has also eliminated single-use plastics, such as bottled water and toiletries, adopted the use of mobile keys instead of key cards, and is going paperless.

- The LHN Group's sustainability approach has a focus on both environmental and social aspects: retrofitting old properties with space-saving and sustainable features while fostering a sustainable community. At Coliwoo Orchard, rooftop solar panels generate c.21,000 kWh annually, the equivalent of powering 130 refrigerators in the building for the year. Energy management is also enhanced through heating, ventilation, and air conditioning (HVAC) systems that turn off or adjust the temperature automatically when rooms are unoccupied. Coliwoo also leverages the rooftop space to launch urban farming initiatives. Incorporating sustainable zero-waste and energy-saving practices into their gardening experience, residents are provided the chance to share in the harvest and build social relationships.

Rooftop solar panels at Coliwoo Keppel
Image courtesy of Coliwoo

Co-living supply and major players in Singapore

The co-living industry in Singapore is thriving. With approximately 20 active co-living players and more than 9,000 co-living rooms[1] in various layouts (refer to Figure 2), the Singapore market is becoming increasingly competitive and innovative, which augurs well for consumers looking for affordable and flexible housing options.

According to JLL's research, the three largest co-living players in Singapore based on total units under operation and in the pipeline are Coliwoo, The Assembly Place, and Bespoke Habitat. Collectively, these three companies account for close to 50% of the total co-living supply in Singapore.

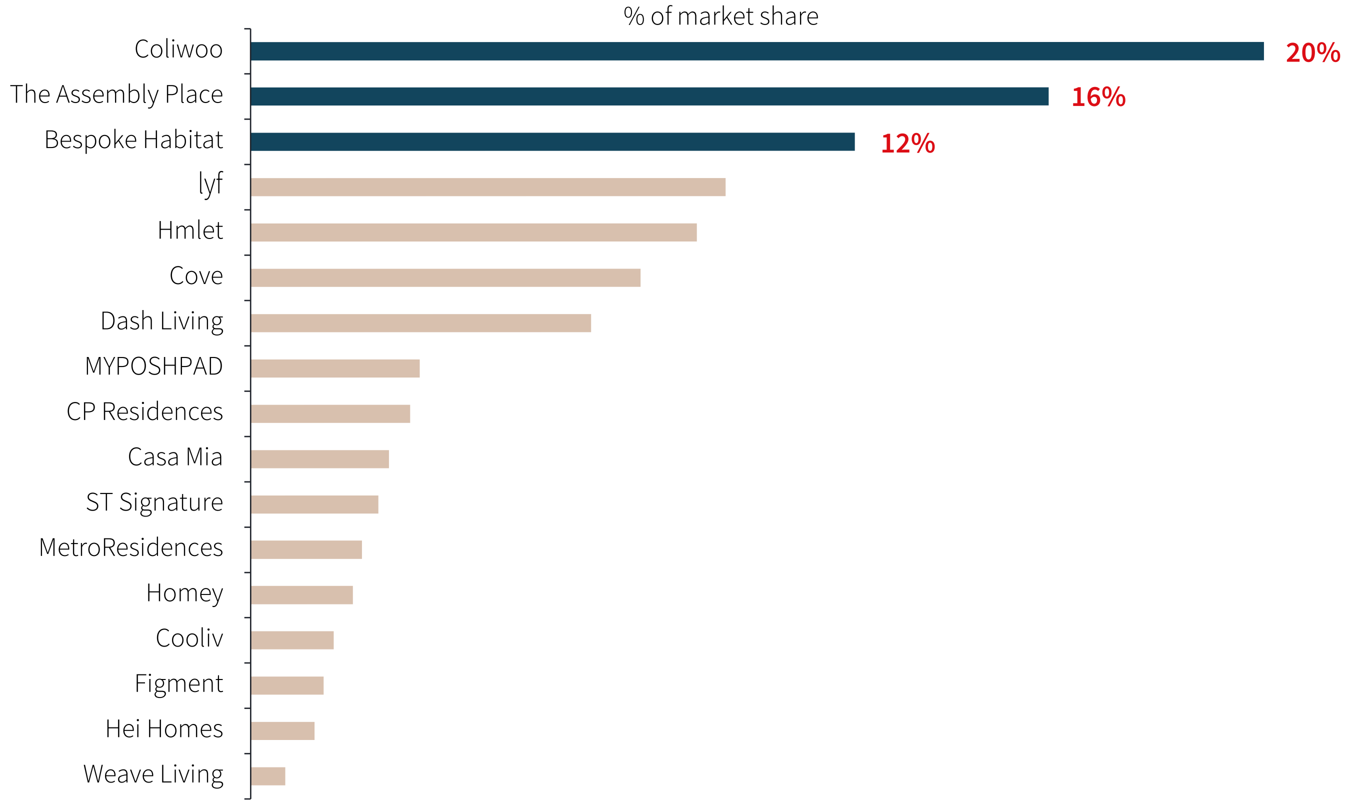
Other notable players in the market include Hmlet, Cove, Dash Living, and MYPOSHPAD. Traditional real estate developers and serviced apartments/hotel operators have also entered the co-living market in Singapore, such as The Ascott Limited under the CapitaLand Group. These companies are leveraging their expertise in property development and management to create co-living spaces that cater to the growing demand for flexible and affordable housing options in Singapore.

As at 1Q23, close to 800 keys in the pipeline could be launched over the next one to two quarters. Additionally, JLL's interviews with the operators revealed they were targeting providing another 2,100 keys to the market by end-2023.

The Singapore government is taking positive steps towards encouraging the co-living industry. The Singapore Land Authority (SLA) recently launched a Price-Quality tender for the tenancy (on a renewable five-year lease) of state property at 79-95 Hindoo Road — originally built in the 1920s by the government to house labourers — to be readapted for residential (co-living) use. This is part of the government's efforts to repurpose state-owned buildings and rejuvenate historical areas. This move follows a similar 2018 tender that was awarded for a property along Pasir Panjang Road, which was successfully converted into a 156-room co-living serviced apartment operating under the Cooliv brand. Other state properties being used for co-living purposes include Hmlet Cantonment and Coliwoo Keppel.

[1]Includes strata units leased out by individual owners to operators for management

Figure 2: Market share of major co-living players in Singapore (includes 800 keys in the pipeline)

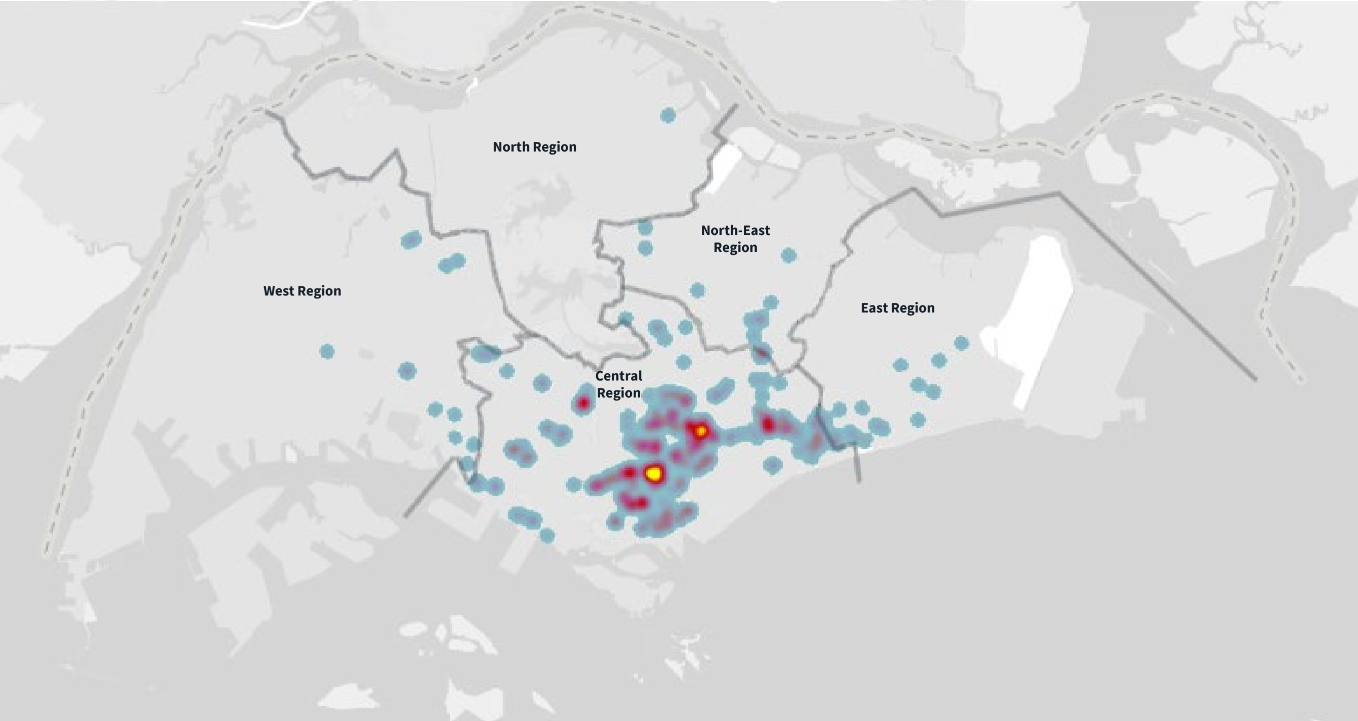


Source: News articles, co-living company websites, JLL Research

There is a higher concentration of co-living offerings in Singapore's central region, which is well-connected and offers easy access to amenities, transport links, and workplaces (refer to Figures 3 and 4). River Valley, Geylang, and Little India are popular locations for co-living due to their proximity to the Central Business District, as well as their vibrant local culture, food, and entertainment scenes. These areas are particularly attractive to young professionals who are price-sensitive yet value convenience and a sense of community.

Weave Suites - Midtown
Image courtesy of Weave Living

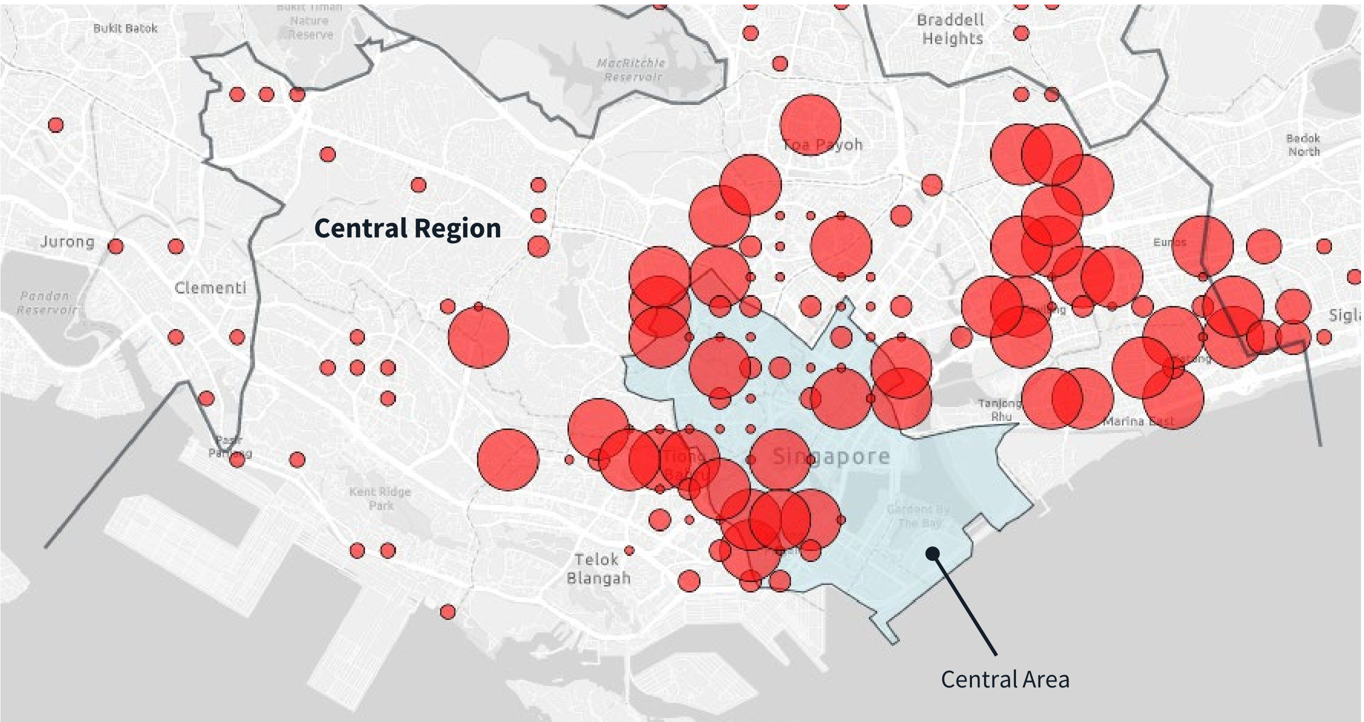
Figure 3: Location of co-living rooms islandwide*



* The above heatmap is a representation of about 7,000 rooms from 15 operators (out of more than 9,000 rooms from about 20 operators) where exact locations are identified

Source: MapIT, JLL Research

Figure 4: Location of co-living rooms within the Central Region

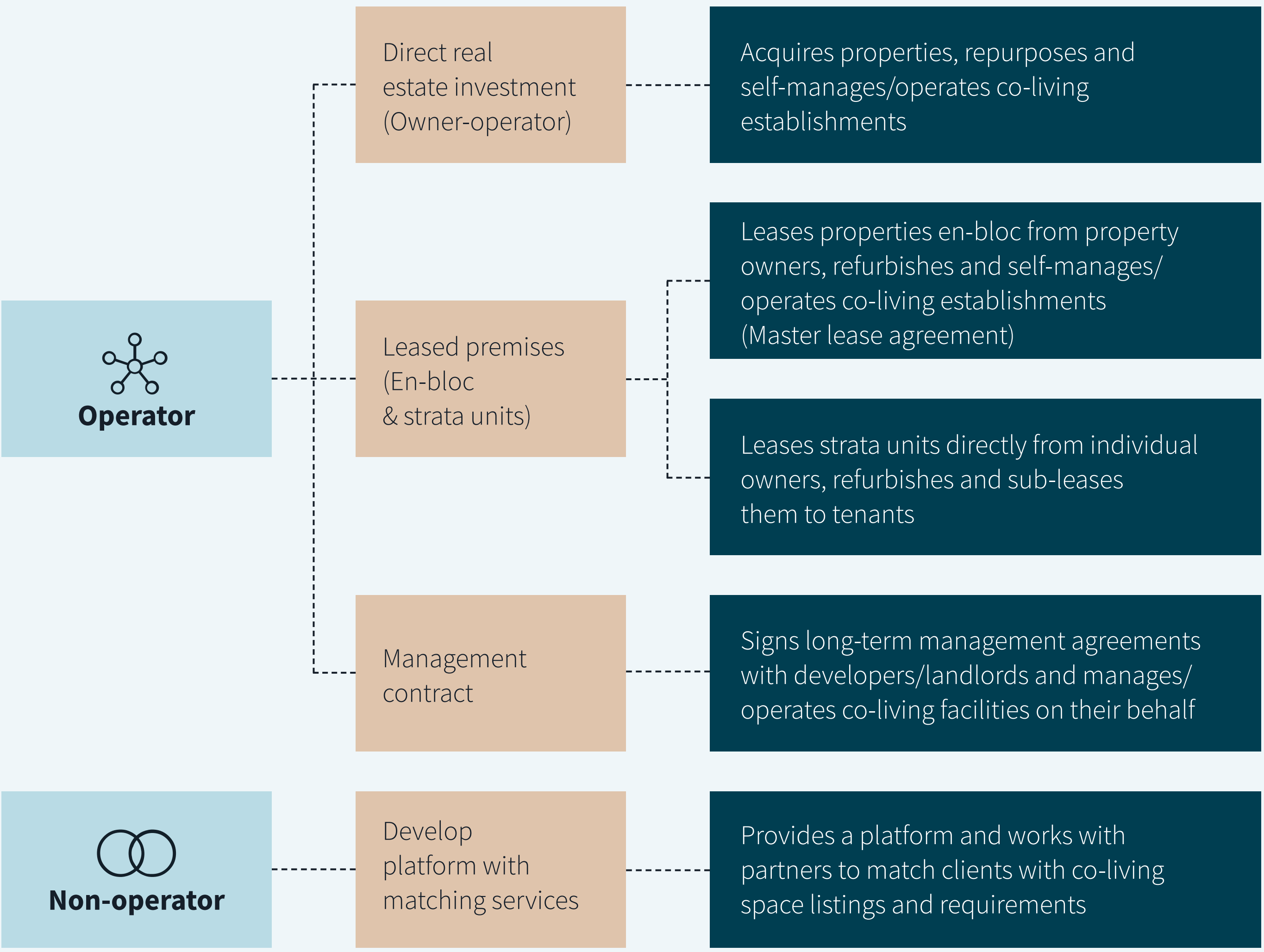


Source: MapIT, JLL Research

How do co-living players operate in Singapore?

Co-living players in Singapore are adopting a variety of approaches to expand their market share. The main business models are set out in Figure 5 below.

Figure 5: Business models of co-living players



Source: JLL Research

Direct real estate investment can be an effective expansion strategy for co-living operators with the financial resources to purchase or co-invest in properties outright. By acquiring a 100% interest in the real estate, operators get complete control over the property and stand to benefit from future capital gains. However, it requires significant upfront capital and scalability will hinge on property prices, related acquisition costs, and availability of suitable assets for purchase. Consequently, operators are starting to participate in co-investments with capital partners, typically taking up a minority stake in the project. In this instance, operators can show their willingness to put 'skin in the game' and be motivated to ensure the overall success of the project.

Leasing is another strategy that co-living operators have adopted, especially for newcomers looking to expand their portfolios quickly. This approach involves leasing a property from a landlord and then sub-leasing the individual rooms to tenants at a premium rate after retrofitting/refurbishment. This allows operators to quickly expand their portfolio without the high upfront costs associated with direct acquisition. However, sub-letting may not provide the same level of control over the property and co-living experience as direct acquisition. Leasing also subjects co-living operators to volatility in market cycles, inefficiencies due to scattered operations, and renewal risks. To expand in a meaningful way, operators must have access to a reliable supply of leasable properties.

Entering into a **management contract** is an asset-light option that involves co-living operators partnering with property owners to professionally manage their properties for a fee. The management fee arrangement for most co-living operators follows a similar model to hotels where they collect a base fee (usually a percentage of gross revenues), an incentive fee (usually a percentage of gross operating profit), and system-reimbursable expenses (such as sales and marketing, purchasing, accounting etc.) Operators can benefit from this strategy by gaining quick access to new properties without having to take on the upfront costs of acquisition or ongoing capital expenditures. The financial risk in a management contract is fundamentally borne by the owner. However, operators may face fierce competition and fee compression given that this is the preferred model for many companies.

Dash Living on Mackenzie
Image courtesy of Dash Living

The **non-operator model** is one of the lower risk-carrying models, but the potential revenue from this approach is also significantly lower.

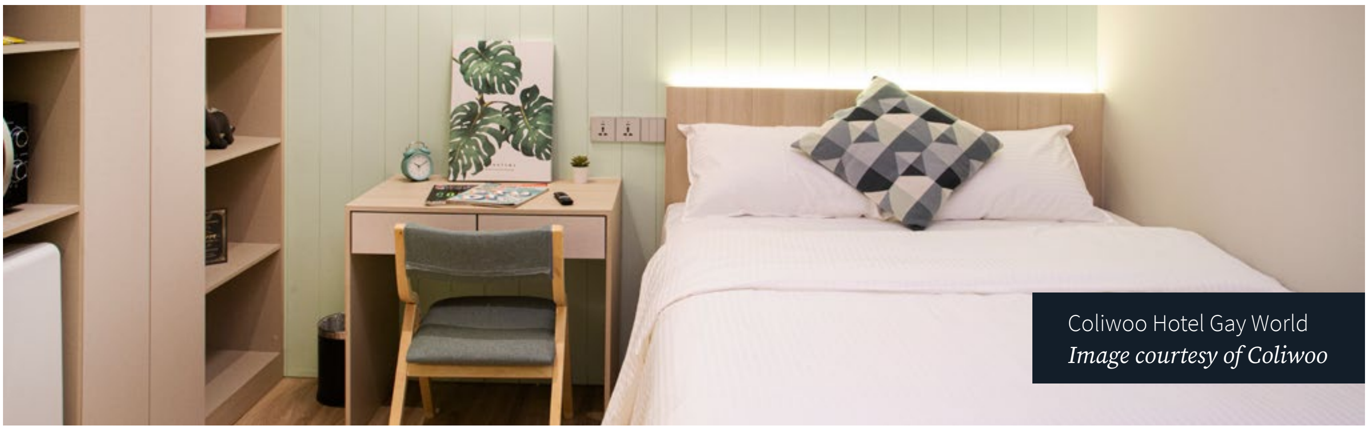
The optimal strategy for a co-living operator will depend on a variety of factors, including their financial position, growth targets, and market conditions. A mix of strategies or a hybrid option may be the most effective approach to risk diversification and portfolio expansion.

Coliwoo, the co-living arm of local-born LHN Group, is one of the major co-living players that operate on a hybrid business model. Besides adopting the owner-operator direct acquisition model, it holds leased premises (en-bloc and strata units) in its portfolio of co-living properties via master lease agreements. It has been expanding its owner-operated co-living offerings rapidly through site acquisitions since late 2020, and repurposing properties into co-living establishments.
From 1Q20 to 1Q23, the group purchased nine properties with the intention of converting the spaces to co-living products. Two of the properties were joint acquisitions in collaboration with other companies.

Some properties owned and operated by the brand include Coliwoo Hotel Gayworld, Coliwoo 75BR and Coliwoo Balestier 320, while some properties leased by Coliwoo include Coliwoo Lavender Collection and Coliwoo Orchard.
Local co-living player Figment also follows a similar hybrid model, with about one-third of its properties being owner-operated and the rest under management contracts with owners of the properties.

The Assembly Place, on the other hand, operates on an asset-light model through leased premises (both on en-bloc and individual strata units) and management contracts. Some examples of these properties include The Assembly Place, A Co-Living Hotel @ Veerasamy (management contract) and The Assembly Place @ Stevens (master lease).

Some market players adopt more than two types of business models. Dash Living does not only operate on the management contract and leased premises models, it also provides matching services for prospective tenants with their brand partners.
Dash Living works with asset owners and hotel partners to build its co-living offerings in Singapore, by including its partners' listings on its website and linking up potential tenants with the partners.



Coliwoo Hotel Gay World
Image courtesy of Coliwoo

What's driving demand?

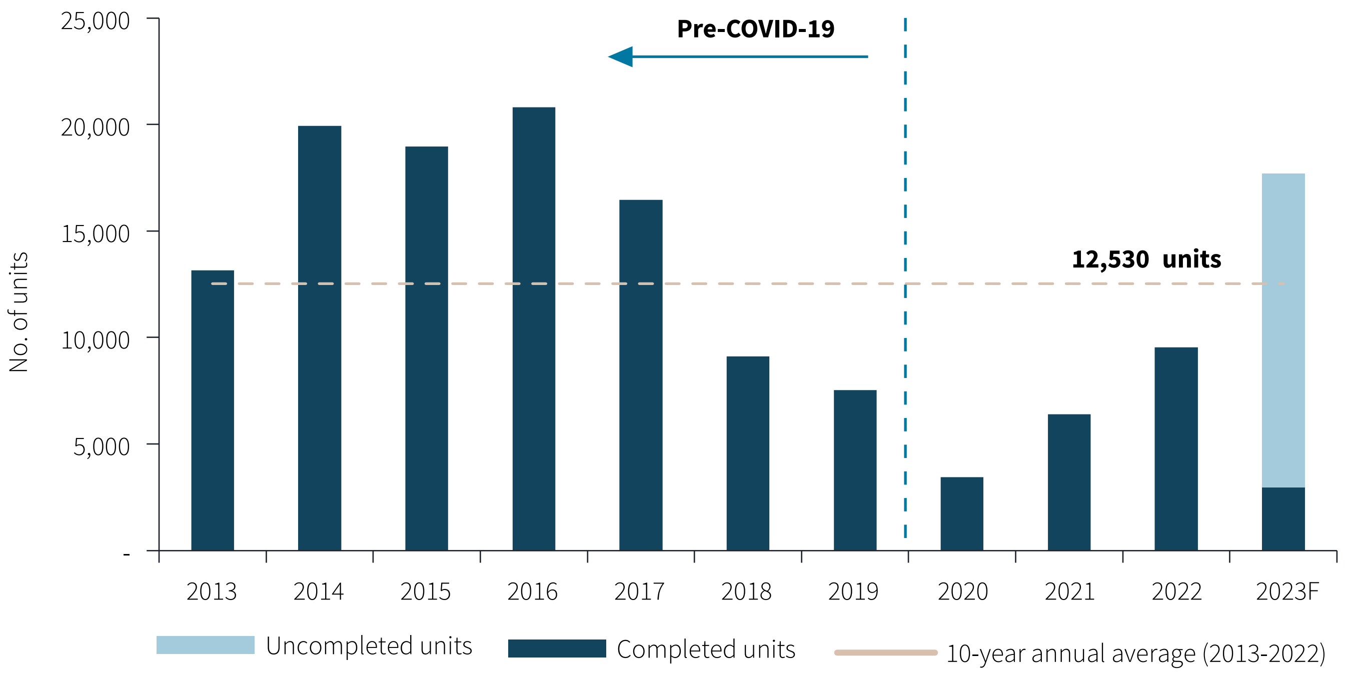
The pandemic and regulatory policies have created transitory demand for co-living due to temporary imbalances in Singapore's residential market dynamics. However, the potential for the co-living market in Singapore goes beyond these temporary changes. Structural shifts in megatrends suggest that the demand for co-living spaces will continue to grow in the medium to long term.

Transitory demand drivers

1 Pandemic-induced construction delays

The COVID-19 pandemic has caused a shortage of manpower and increased the cost of materials in Singapore's construction industry, resulting in delays in the completion of residential projects. This has led to greater demand for interim leasing options, including those in the co-living sector, from locals and longer-stay residents. Co-living leases are an attractive temporary solution as they offer flexibility to tenants with their monthly renewal options. Such demand is likely to be short-term as the bulk of projects delayed due to COVID-19 are expected to complete in 2023 (refer to Figure 6), moderating the spike in temporary accommodation demand.

Figure 6: Annual new completions for all private homes (2013-2023F)



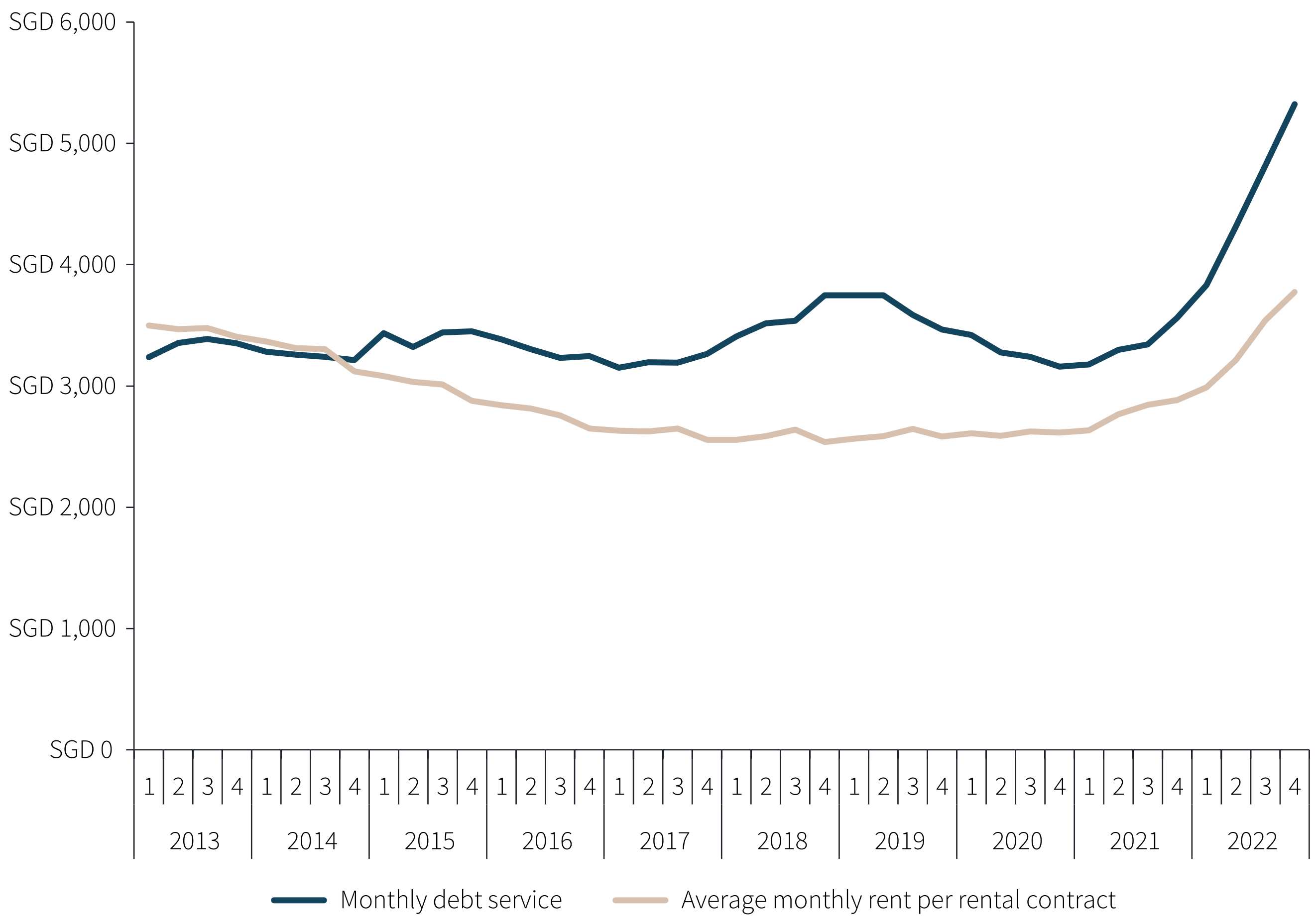
Source: URA, JLL Research

2 High property prices, soaring interest rates and rents

The combination of higher property prices, which have escalated 20.1% in the past two years, and soaring interest rates may have priced some homebuyers out of the market, leading them to seek alternative housing options temporarily, such as in the conventional rental and co-living markets.

However, the rental market has also experienced significant rent increases of 42.5% in the past two years due to high demand and tight supply. Co-living fills the gap in the tight rental market and has become an attractive option that offers more affordable and flexible living arrangements to those unable to commit to longer-term rental agreements. Refer to Figure 7.

Figure 7: Average monthly debt service vs. rent (2013-2022)



Note: Average monthly rent is based on rental contracts of mass market non-landed units within the Outside Central Region (OCR). Monthly debt service is computed based on a 1,200 sq ft mass market non-landed resale unit located in the same market segment (i.e., OCR), factoring in average sales price, loan quantum, and benchmark interest rates for each period.
Source: JLL Research

3 Prohibitive Additional Buyer's Stamp Duty (ABSD)[2] on Foreigners

Leasing requirements for accommodation are expected to remain robust, as some foreigners (such as Employment Pass holders and those waiting for approval to become permanent residents or Singapore citizens) who were previously planning to buy a home in Singapore may have to continue living in rental accommodations at least for the short term, following the hike in the ABSD rate for foreigners buying any residential properties here. This would continue to support leasing demand.

[2]ABSD is a tax that is levied on top of the Buyer's Stamp Duty that liable property buyers must pay on the acquisition of residential properties. This is based on the higher of the consideration or market value and the ABSD rate applicable depends on the profile of the buyer. For foreign buyers, ABSD is applicable to all residential property purchases and the rate was doubled from 30% to 60% from 27 April 2023.

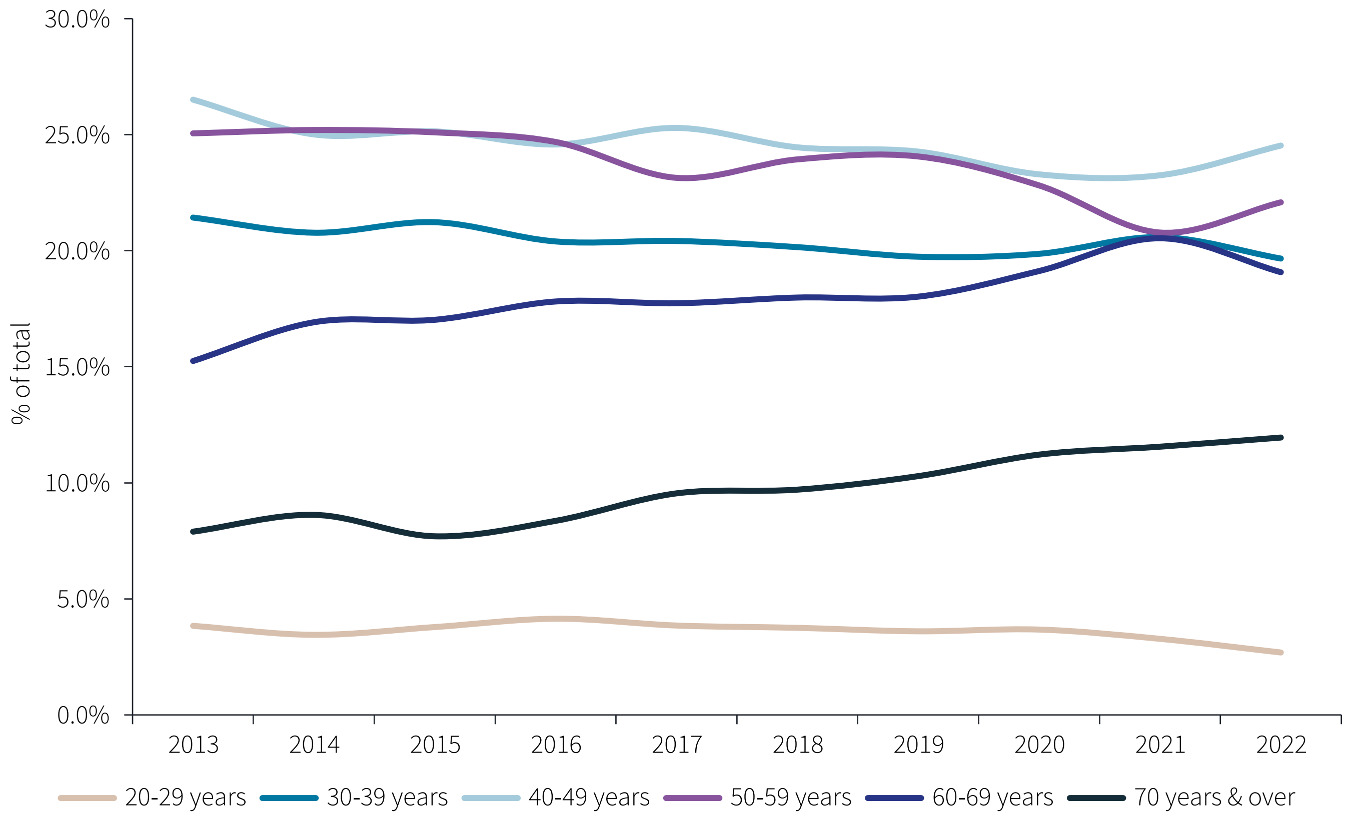
Medium-term demand drivers

1 Demand arising from shifts in demographics and priorities

The demand for co-living has been increasing in recent years, driven by various demographic, lifestyle, and consumer preference changes. A demographic of high-earning singles who are more focused on their careers and personal lifestyles has resulted in the trend of late marriage (refer to Figure 8) and delayed household formation. This, combined with the younger generation's preference for independent living over homeownership, has led to increased demand for co-living spaces and other rental properties that provide a more affordable and flexible alternative to owning a home.

The rise of the co-living sector reflects a broader shift in societal attitudes towards living arrangements and homeownership. As more people prioritise flexibility and personal lifestyles, co-living is likely to continue to grow in popularity as an attractive option for singles and couples alike.

Figure 8: Proportion of married age groups (2013-2022)



Source: Singstat, JLL Research

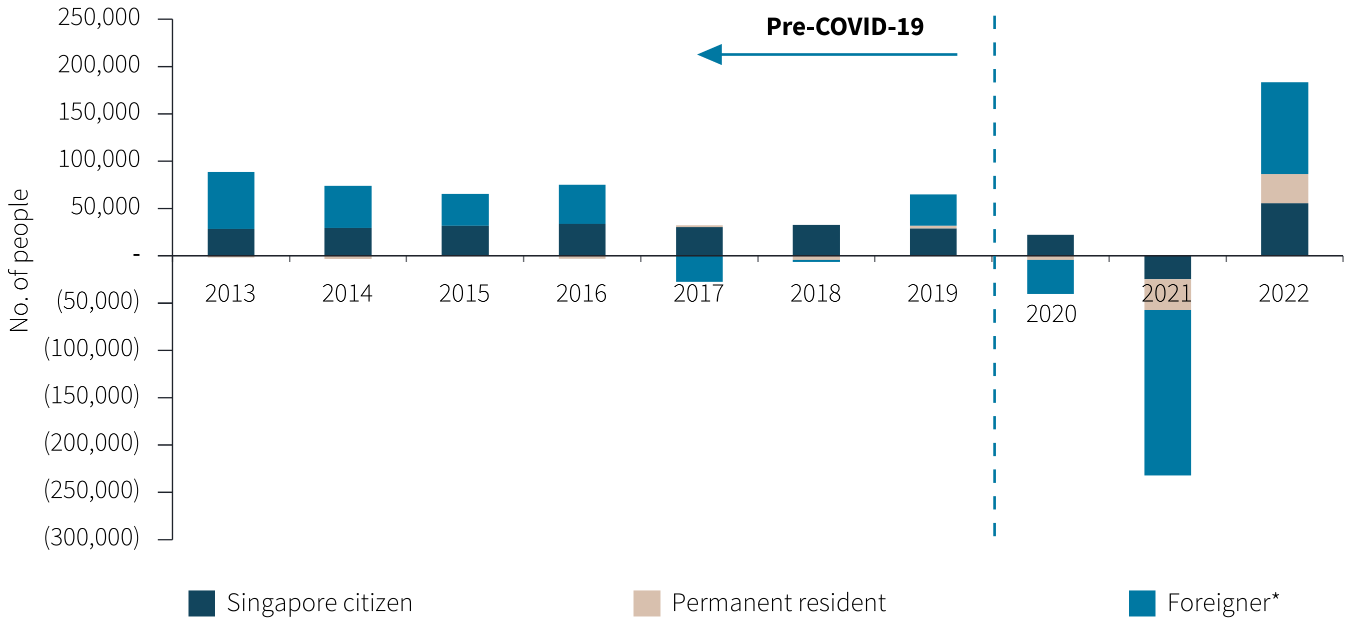
2 Demand arising from changing needs

The COVID-19 pandemic has had a significant impact on the way people live, work, and socialise in Singapore. The shift towards remote/hybrid work, as well as the increased focus on personal space, wellness, and connectivity, has led to a growing demand for more flexible and affordable housing options that cater to such changing needs. Co-living has emerged as a popular solution as it offers affordable living arrangements, a range of amenities, and a sense of community.

3 Demand from new and returning foreigners

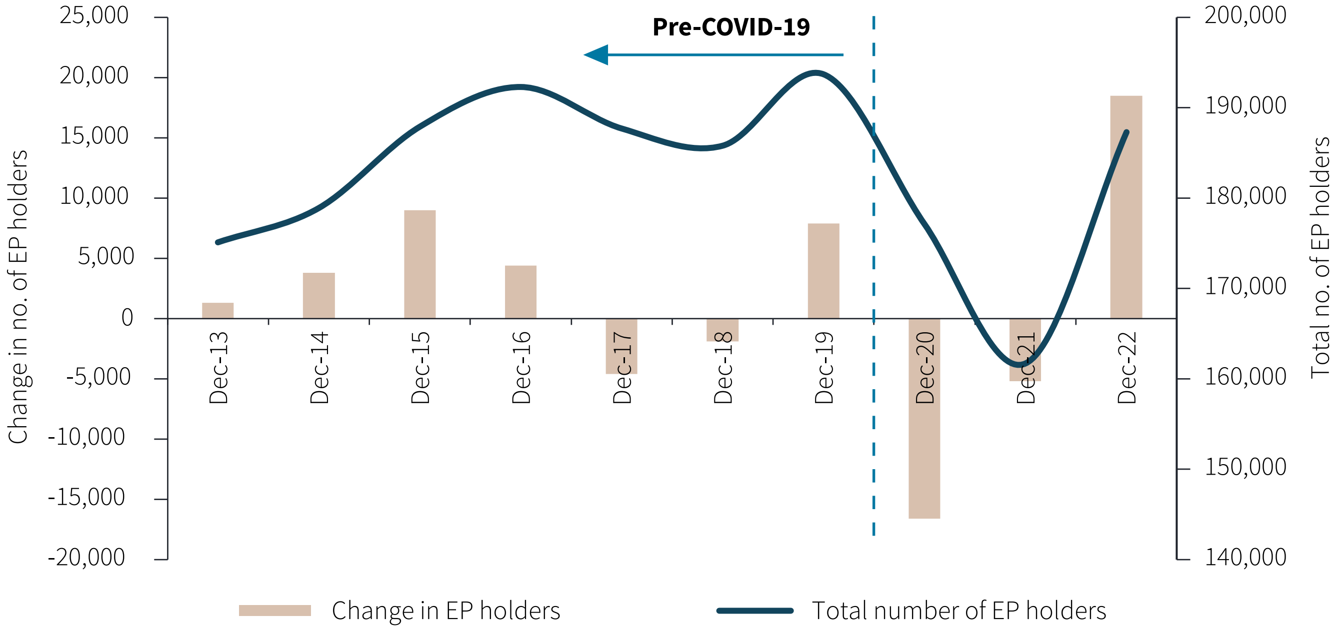
Singapore has experienced a resurgence in foreign demand following the reopening of the country's economy, resulting in increased demand for co-living spaces. In April 2023, the Economist Intelligence Unit ranked Singapore as the best place to do business globally, reiterating Singapore's status as a regional education, business, and technology hub. This is further evidenced by the increase in population and Employment Pass holders (shown in Figures 9 and 10), who will require accommodation.

Figure 9: Change in annual population by residential status (2013-2022)



*Foreigners include migrant domestic workers and construction workers
Source: Singstat, JLL Research

Figure 10: **Employment Pass (EP) holders in Singapore (Dec 2013-Dec 2022)**



Source: Ministry of Manpower, JLL Research

The co-livers

Foreign students
Traditional demand

Locals awaiting new home/renovation completions
New demand

Project-based contractors
New demand

Young professionals
New demand

Evolution of target market for co-living

Local students
New demand

Singles, couples and small families
New demand

Business & Leisure Travellers
New demand

Expatriates
Traditional demand

Source: JLL

A market offering that initially targeted foreign students and expatriates looking to settle and expand their social networks in Singapore has now evolved to include transient demand from travellers and locals.

While foreign tenants contribute the bulk (70% to 90%) of demand in Singapore, co-living operators have experienced an increase in the number of local tenants as a result of factors that include construction and renovation delays.

Notably, younger individuals with changing needs and preferences, particularly those who prioritise having their own space, are increasingly turning to co-living options. Operators interviewed by JLL indicated that about 75% to 85% of their guests in Singapore are under 40 years old. The presence of co-working spaces in certain co-living properties has seen corporate project groups, which typically stay at serviced apartments, also contracting short-term leases at such properties.

Co-living investment market

Underpinned by cash-flow stability and operational resilience, the co-living sector is garnering increased attention and capital allocations from investors. Demand drivers discussed in the previous section also underscore the sector's growth opportunity. The findings from the survey and interviews are presented to help shed light on the key aspects of co-living investment.

Respondents' profile

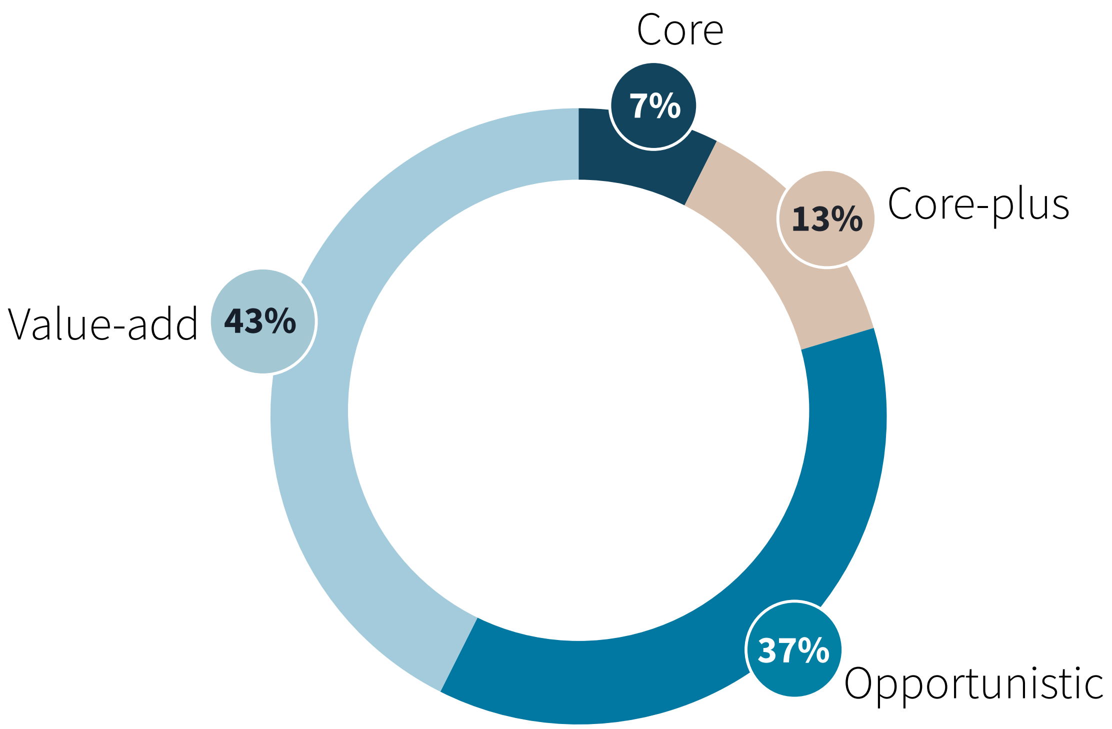
Survey conducted in 1Q23

Investors who participated in the survey included:
- Private Equity – **32.4%**
- Family Office / HNWI – **23.5%**
- Developer – **20.6%**
- Operator – **14.7%**
- Institutional – **8.8%**

76% of respondents were from Singapore

1 Expected return profile reflects the nascency of the market

Figure 11: Investors' preferred investment strategies for co-living in Singapore

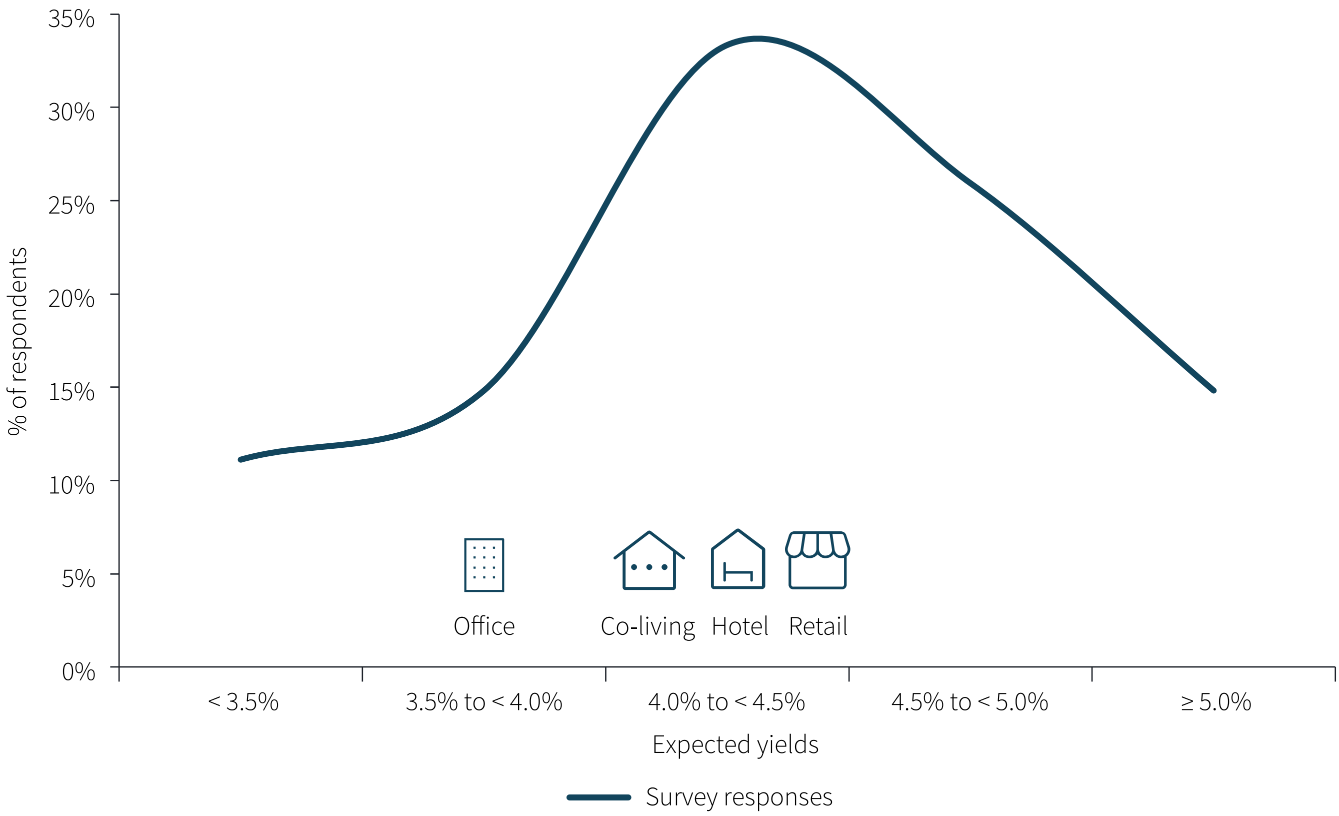


Source: Co-Living Investor Sentiment Survey, JLL

In interviews with various operators, JLL found that co-living operators could achieve strong operating margins of 65% to 85% due to efficient operating models, such as having low staffing ratios. JLL understands that staff-to-room ratios at co-living properties are generally <0.1, significantly lower than midscale hotels, which operate at a staffing ratio of 0.25 – 0.50. In addition, with the lack of supply to meet rising demand, most existing co-living properties in Singapore are operating at close to full occupancy.

Nonetheless, **despite the stable income and low vacancy, the majority of investors still consider co-living as part of their value-add or opportunistic investment strategies** (refer to Figure 11), with an expected Internal Rate of Return (IRR) hurdle of between 15% and 18% (refer to Figure 14). This reflects the risk premium that investors are ascribing to the sector due to its infancy. The lack of existing build-to-rent assets also means that investors would have to take on conversion risk to repurpose commercial buildings such as hotels into co-living spaces.

Figure 12: Expected returns on co-living vs. other asset classes



Source: Co-Living Investor Sentiment Survey, JLL

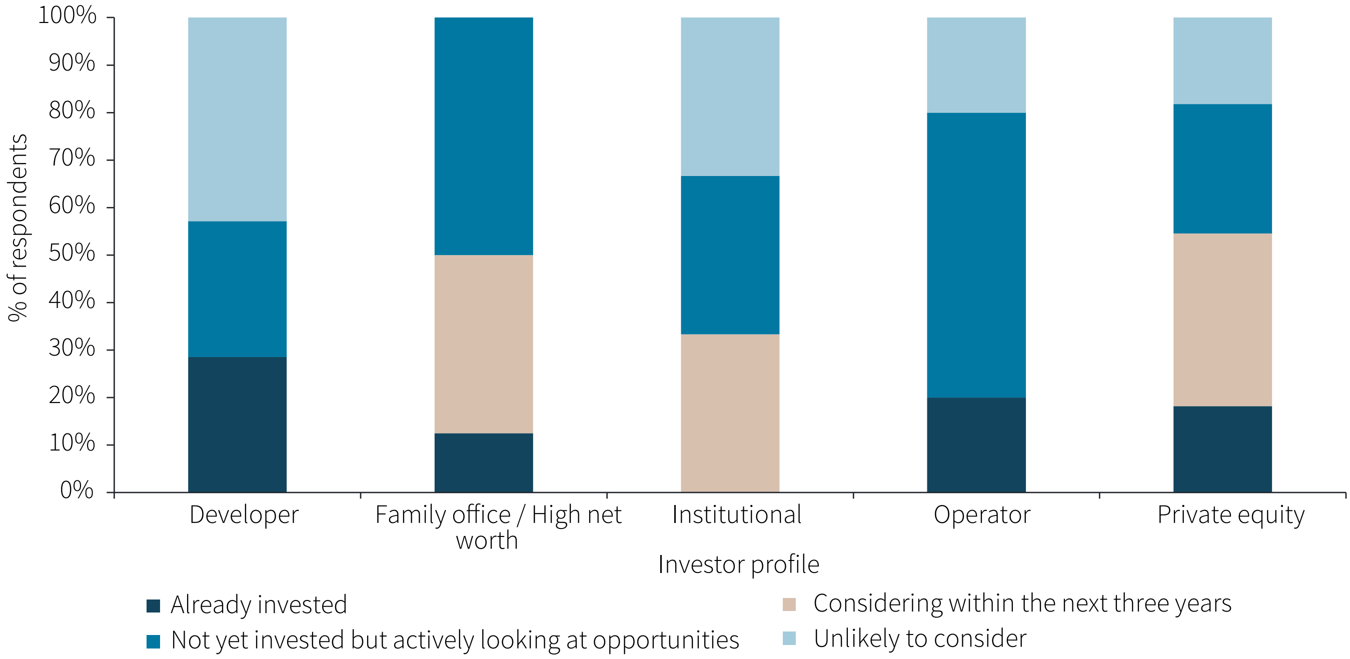
Additionally, in contrast to office and retail assets where three-year lease agreements are common, co-living leases typically span from one to 12 months. Co-living properties with a hotel licence may even allocate a portion of their room inventory for short-stay guests. While the shorter lease period allows operators to adapt quickly to market conditions (e.g. rent adjustments), it also exposes the business to operational risk and volatility in occupancy. Therefore, these assets may experience pronounced income appreciation during periods of economic expansion, coupled with shorter periods of weak leasing fundamentals through cycles.

All these point to a higher yield expectation of between 4% and 5%, compared to the office asset class (refer to Figure 12).

As the market continues to mature, driving stabilised performance and liquidity, we expect the stabilised return expectations for co-living to converge towards those of traditional office assets.

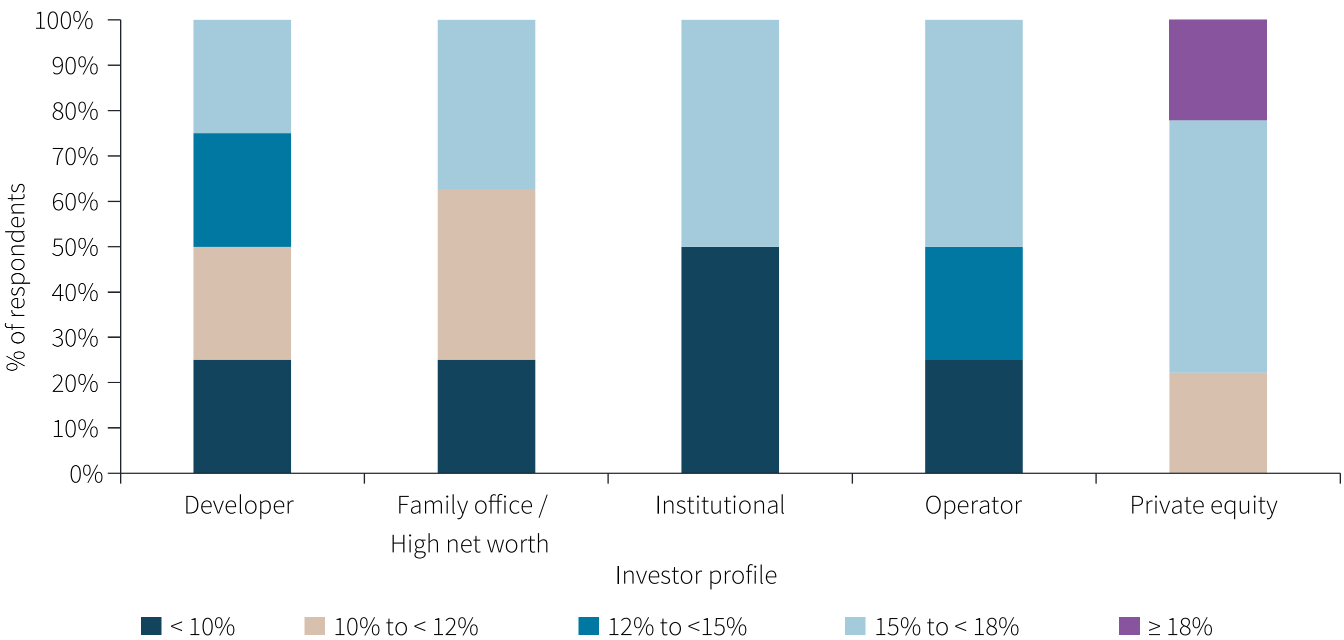
2 Family Offices and High Net Worth Individuals (HNWIs) most optimistic about the sector

Figure 13: Investors' interest in co-living investments



Source: Co-living Investor Sentiment Survey, JLL

Figure 14: IRR hurdle rates for investors

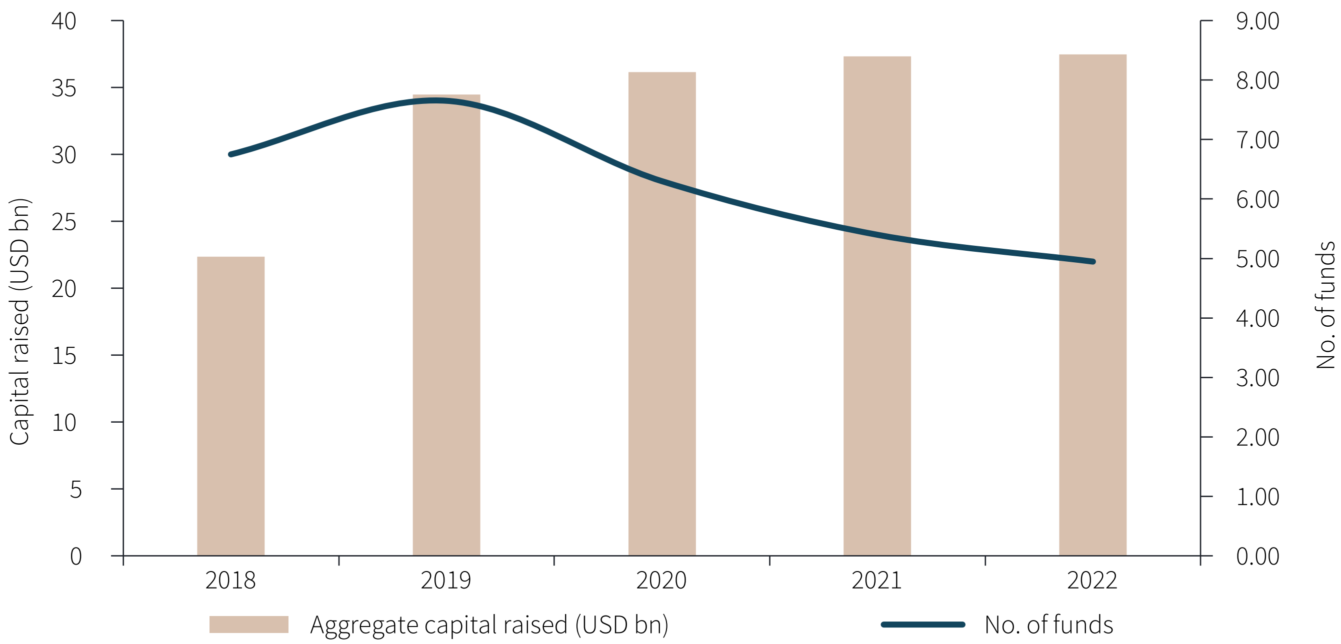


Source: Co-Living Investor Sentiment Survey, JLL

Capital flows into co-living properties in Singapore have accelerated over the past few years from a diverse pool of investors. Close to 80% of survey respondents indicated that they had invested and are interested in investing in co-living real estate in Singapore (refer to Figure 13). **Family offices and HNWIs, in particular, are turning their attention to co-living as a form of stable income and portfolio diversification**.

With a lower cost of capital and leverage, private capital also has a lower return requirement compared to private equity groups. In our survey, more than 60% of family office/HNWI respondents indicated that their IRR hurdle for co-living in Singapore was less than 12% (refer to Figure 14).

Figure 15: APAC-focused fundraising for Residential*



Source: Preqin

* Residential includes Apartment, Condominium, Multi-Family (including co-living), and Single-Family real estate

With record levels of dry powder to deploy and increasing fundraising efforts targeting the living sector (refer to Figure 15), private equity investors are also actively looking to acquire and aggregate smaller-scale assets into broader regional portfolios.

Private equity investors who typically seek mid-to-high-teens returns are on the hunt for underperforming hotels with underutilised spaces to turn into co-living spaces. Many have already executed this strategy in other Asian cities such as Hong Kong and are looking to replicate their success in Singapore, where they see significant growth potential.

3 Investors seek co-investment with operators to de-risk

Investors' preferred business models for co-living

40.7%	29.6%	18.5%	11.1%
Co-Investment with Operator	Management Agreement	Master Lease	Owner-Operate

Source: Co-Living Investor Sentiment Survey, JLL

Co-living started as part of the sharing economy boom in the late 2010s. Unlike hotels, many co-living operators are start-ups with relatively limited track records, especially in Asia.
To mitigate risk and ensure that interests are aligned, the majority of investors indicated that they preferred to co-invest in real estate with operators. Well-capitalised co-living operators, such as those backed by private equity firms, would have the flexibility of deploying an asset-heavy strategy. For example, Warburg Pincus-backed Weave Living made its debut in Singapore with the acquisition of Hotel Clover 33 Jalan Sultan through a joint venture with listed builder SLB Development.

Within the options for a management agreement, multiple real estate investors have also highlighted the preference for an incentive fee or performance kicker. Such a model ensures that operators are incentivised to be more cost-efficient and perform beyond minimum requirements.

Challenges and opportunities

The rise of the co-living sector in Singapore is not without its challenges. In our Co-Living Investor Sentiment Survey, investors identified the following as the key challenges to the market (refer to Figure 16):

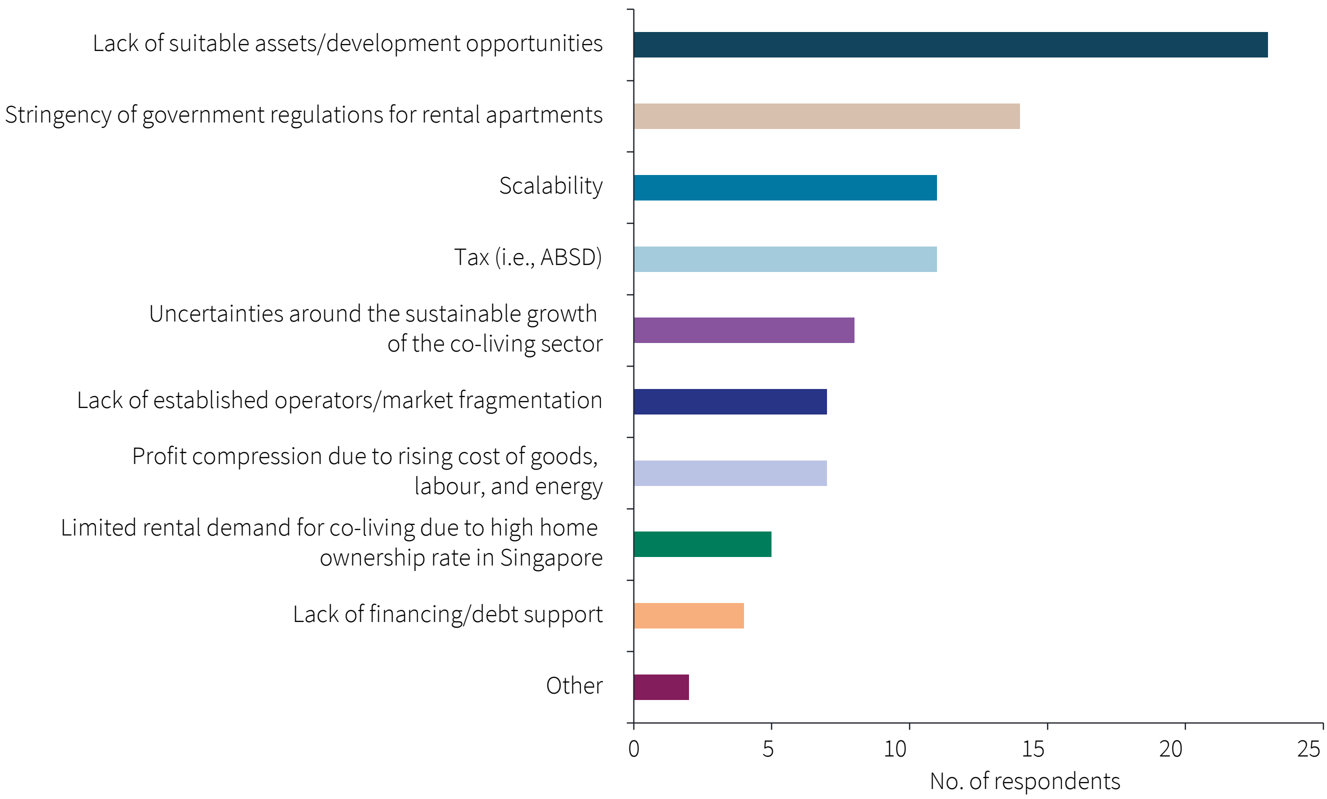
Lack of suitable assets and/or development opportunities impacting the scalability of the sector

Stringency of existing and future government regulations, such as ABSD

Uncertainties around the sustainable growth of the co-living sector

In this section, we explore issues commonly faced by investors and identify the opportunities.

Figure 16: Key challenges faced by investors



Source: Co-Living Investor Sentiment Survey, JLL

1

Lack of suitable assets and scalability of the sector

The lack of suitable properties for co-living was highlighted as the biggest challenge for real estate investors. From a development angle, the URA has not released any Government Land Sales (GLS) sites specifically for co-living; hence, greenfield build-to-rent opportunities are few and far between for real estate investors. Other government agencies, such as the SLA and JTC, have put up state properties and industrial land for co-living use, such as Raeburn Park and lyf one-north. However, these opportunities are limited and typically subject to shorter leasehold tenure. Purchasing residential stock to scale up quickly is not financially feasible due to the high capital values of real estate in Singapore. Likewise, operators are struggling to build sufficient pipeline to meet the strong demand.

To address the abovementioned limitations, co-living operators and investors have actively explored repurposing commercial buildings, shophouses, or hotel assets into co-living properties. Figment prides itself in restoring heritage shophouses and then leasing them for residential purposes.

Coliwoo has also been beefing up its portfolio with a series of commercial real estate acquisitions, including the GSM Building, a strata-titled office building that they plan to convert into a mixed-use development with retail and co-living serviced apartments.

As the co-living market matures, JLL believes that early investors will start disposing of their stabilised assets, thus creating favourable investment opportunities for private and institutional sources of capital. This view of potential future exits is further backed by our survey, where 50% of respondents who have already invested in the sector indicated a holding period of less than five years.

Coliwoo Hotel Amber
Image courtesy of Coliwoo

2

Existing and potential government regulations

As a nascent sector, clear legal and regulatory frameworks around co-living have yet to take shape in Singapore. This can lead to confusion and inconsistencies for investors around how the sector is regulated. Investors currently follow the respective regulations depending on the approved use of the property (residential, commercial, or hotel).

Additionally, the homeownership model is a cornerstone of the government's public housing policy and a key tenet of Singapore's social compact. This has led to the residential leasing market being viewed as a less favourable alternative, especially among local Singaporeans. Under the Housing & Development Board's (HDB's) Public Housing Programme, applicants must meet certain income, citizenship, and age requirements to qualify for an HDB flat. For instance, an unmarried Singaporean is only eligible to buy a flat upon reaching the age of 35. Young couples also have to typically wait three to five years for their new Build-To-Order (BTO) flats, depending on the size, complexity, and location of the project. Co-living, therefore, fills in the gap for this underserved community seeking alternative accommodation options. Furthermore, as discussed in the previous chapter, while property cooling measures such as the increase in ABSD serve to keep housing affordable for locals, it also inevitably drives rental demand from foreigners.

Co-living investors and operators are also constrained by government controls whereby minimum stay durations of three months and six months are imposed on rentals of private apartments and HDB flats, respectively. This rule is set to preserve the residential character of housing estates and prevent any significant disamenity. Limits on the capacity of different housing types are also imposed: for example, up to six unrelated persons are allowed to stay in a private residential property at any one time. To circumvent these restrictions, co-living investors and operators have been focusing on commercial sites with hotel/serviced apartments zoning that allows greater flexibility in the length of stay.

Co-living players may also find opportunities in state lands/properties as the government is increasingly receptive to the concept of co-living. The market can expect more opportunities for repurposing the government's stable of properties into co-living use.

3

Uncertainties around the sustainable growth of the sector

The pandemic-induced boom in the living sector has investors concerned about the longer-term growth prospects of the industry. With the Singapore economy moving forward from the pandemic, concerns over the co-living sector's ability to sustain its growth momentum arise.

As discussed in the previous section, while some demand drivers are transitory, Singapore has seen a fundamental shift in demographics and lifestyle changes that have and will continue to boost rental demand among locals and foreigners alike.

As the world's leading business environment for the 15th consecutive year, according to rankings by the Economist Intelligence Unit, Singapore continues to attract a stable base of expatriates with strong rental demand given the high barriers to residential home purchases. Co-living operators have also seen an increase in local tenants resulting from a change in the mindset of youths wanting their own space and viewing co-living as a viable alternative to traditional rentals.

Final words

Singapore's nascent co-living market is currently relatively fragmented and limited in scale, compared to other established markets. This makes it challenging for operators to achieve economies of scale and profitability. However, as the market expands and more operators enter the space, further consolidation and standardisation will likely occur and lead to greater scale and efficiencies. The tailwinds driving medium- to long-term rental demand, greater regulatory transparency, as well as increased awareness and understanding of co-living as a viable housing option, will further enhance investor confidence and attract a deeper and more diverse range of buyers and capital sources.

Overall, while there may be challenges and uncertainties in the co-living market in Singapore, there is reason to believe that the future of Singapore's co-living industry could mimic a similar trajectory to the most established living capital markets in the world, such as the US and Japan, especially if the industry continues to evolve and adapt to changing market trends and consumer preferences.

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