

CO-LIVING

REDEFINING URBAN RENTAL LIVING



CONTENTS

3 WHAT DRIVES CO-LIVING IN INDIA

CO-LIVING
THE BETTER OPTION 11

14 FOCAL POINTS OF ACTION

OPERATOR MODELS
EVOLVING BUSINESS ENVIRONMENT 18

22 THE CURRENT CO-LIVING
LANDSCAPE

CONCLUSION 26

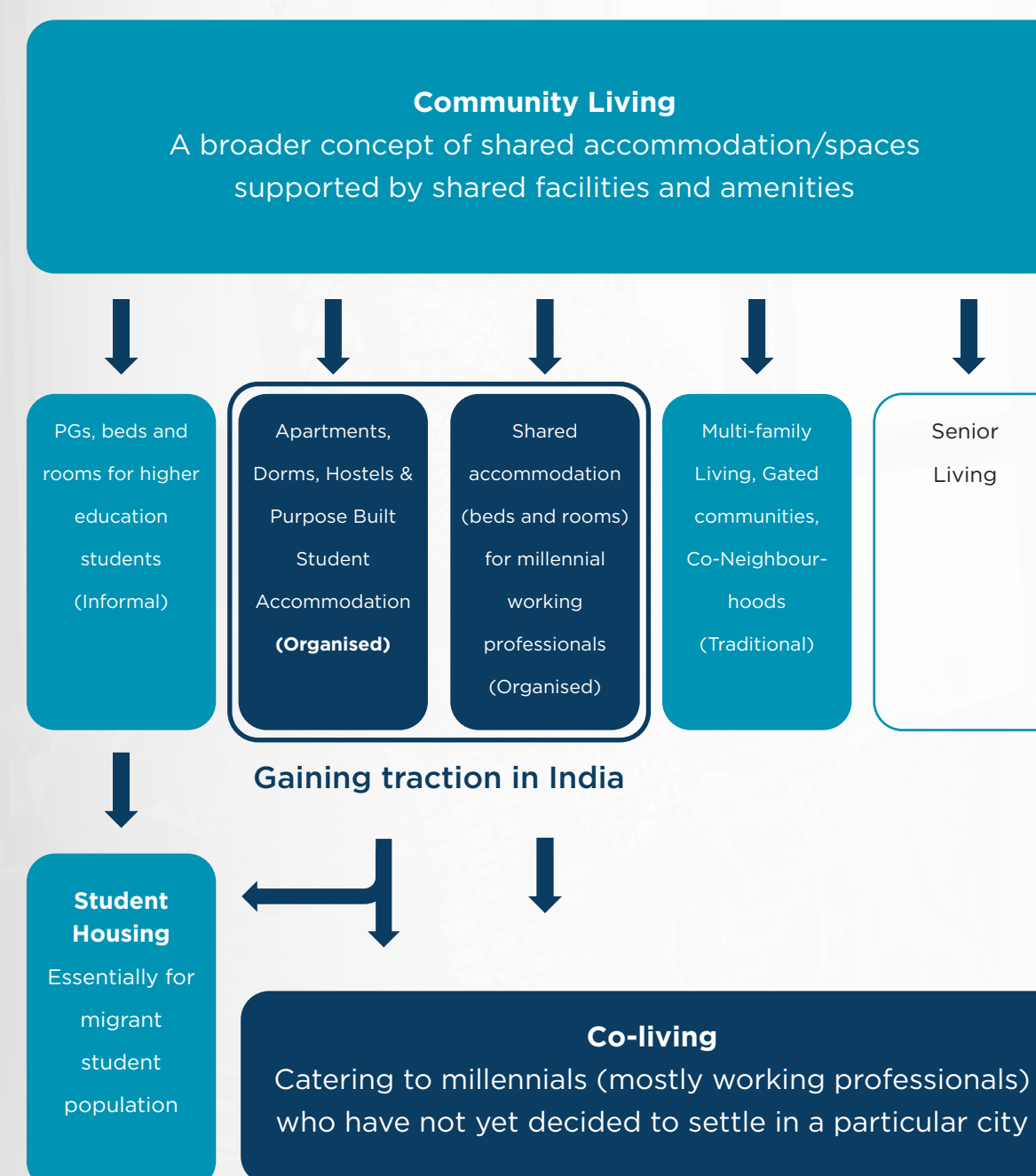
INTRODUCTION

India's urban housing pyramid is a skewed one with the biggest proportion of the population base being the most under-served. While the issues of affordably priced housing for the marginalised, low income groups is well-documented, the lack of standardised rental housing options for those gravitating to India's large economic centres has not yet found much resonance.

Majority of the metro cities are bursting at their seams due to rapidly growing in-migration, which has put considerable pressure on the existing rental housing set-up. With more millennials entering the workforce and continuing to contribute towards a major proportion of the population, their lifestyle choices will contribute towards a greater need for organised rental housing. Further, limited accommodation capacity within academic institutions for students in higher education is also likely to act as a demand driver for similar for-rent accommodation.

However, the concept of shared rental accommodation in cities/locations offering employment and academic opportunities, is not a new one. The migrant workforce and students have been availing such shared rental accommodation options for the last 3 to 4 decades. Tier I cities offering abundant employment options and improved academic opportunities have always attracted young migrants. What is different now is the type of improved, organized shared rental accommodation options that the migrants can access, which are a considerable improvement over the informal rented accommodation that was available earlier.

At present, most of this demand is being catered to by the informal rental housing market, thereby creating an opportunity gap for an improved product offering by organised players. Millennials moving into new cities for work or education are left to deal with negative perceptions harboured by landlords and homeowners' about those who are single or students. This coupled with the limited availability of quality accommodation that meets the basic requirements, makes the stay in these unorganised set-ups, (PGs/ dorms/hostels) a not so favourable option for millennials, who having higher disposable incomes are even ready to spend a little more to enjoy better lifestyle standards with experience being a key element of their consumption pattern.



WHAT DRIVES CO-LIVING IN INDIA

PLIGHT OF THE UNORGANISED CO-LIVING SECTOR

1

The concept of co-living is not a new one and has been in existence in India since last few decades. It was mostly prevalent in an unorganised/informal format in the form of paying guest (PG) accommodation and private/academic institution run hostels. These have been in high demand from migrant working professionals and students.

2

These informal facilities have a rather rigid structure for their residents with limited scope for any significant modifications or relaxations. For instance, residents are not allowed to choose their roommates and restrictions on their lifestyles might be imposed by the owner/landlord.

3

While these informal facilities provide cheap accommodation, these are ill-designed and lack basic amenities to support a sustainable lifestyle. Lack of standardization, limited options and no rules governing informal accommodation has also meant that this has largely been an operator/landlord driven market with negligible bargaining power of the residents.

4

More importantly, in the name of security, most of the PGs, dorms and hostels pose irrelevant restrictions on the social life of the residents. In addition, conflicts in terms of violation of rent-agreement by owner/operator, hidden charges, irrational cost of maintenance and repair and loss of security deposit in case of an early exit are some of the other risks posed by the informal rented accommodation market.

“

Co-living is an evolving sector and is expected to grow in great magnitude as the focus on rental housing is on the rise. With the increasing challenges faced by the Real Estate sector, more customers are now looking to prolong their rental stay and are averse to buying apartments until late 30's. Migrants are further fueling the rental sector and investors are getting warmed to Buy2let products which will see Purpose Built Accommodation (PBA) to rise in India. All this signals to great times for Co-living which offers fully managed rental homes to upwardly mobile urban customers.

- Suresh Rangarajan
Founder and CEO
COLIVE

”

THE CO- LIVING ECOSYSTEM

For Millennials

Personal Space offering quality stay, powerful sense of community and privacy
Living arrangement (private or shared rooms) with shared common spaces for interaction

Complete autonomy on entry and exit with no interference from middlemen and landlords

Technology friendly and comfortable plush spaces with free Wi-Fi, housekeeping services and modern amenities

Free of gender discrimination providing common connecting ingredients to residents

Low entry costs/flexible deposits, no brokerage and affordable rentals in highly desirable housing markets

Flexibility, convenience, reduction in commute time and easy access to social and physical infrastructure

FOR OPERATORS

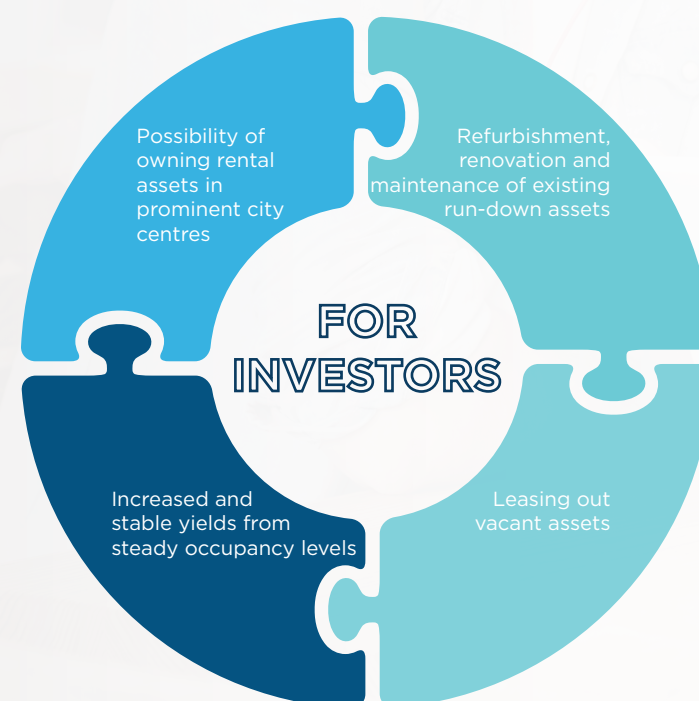
Venturing into popular employment hubs and transit hubs with affordable rentals and higher operating income levels

Significant demand in a low competition market - ensuring first mover advantage and high occupancy levels

Early break even periods as most operators prefer an asset light model thereby limiting capital expenditure

Emerging sector with high interest from institutional investors and venture capital funds

Gain market share from the current, unorganised market through tie-ups with landlords and local developers



INDIA'S YOUNG WORKFORCE DRIVING THE SHIFT

In recent years, the demand for co-living spaces has been driven by millennials or the Gen Y population, the age group born between 1981 and 1994 (22 to 37 years). According to a Bloomberg report, millennials account for 31% of the world's population in 2019, slightly lower than the Gen Z population which stands at 32%.

According to the Deloitte Global Millennial Survey 2018, given today's globalised workforce, the average tenure of millennials in their jobs is 3 years and most of them prefer to travel across cities for work.

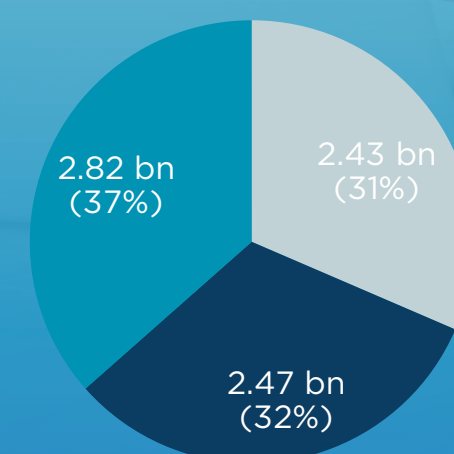
At 440 million, India is home to the largest millennial population globally in absolute terms, with millennials comprising 34% of the country's total population. Counting the Gen Z population, the median age of the country is 28 years, making it one of the youngest emerging economies. India is, therefore, a market with high growth potential for the co-living sector.

India is the third largest start-up hub in the world, with a significant number of the young workforce willing to take up employment in new ventures. They are also willing to relocate to other cities on job assignments. Gen Y or millennials are digital nomads who are not yet ready to put down roots, but are willing to travel and work remotely across locations.

Consequently they look to defer big purchases such as a home at the beginning of their career and looking to use their increasing disposable incomes for more 'experiential' and community-led lifestyle choices. Increasing workforce mobility has created the demand for organised shared accommodation in India, with technology serving as a major differentiator in service offerings.

2019 2025 CAGR of Market Size

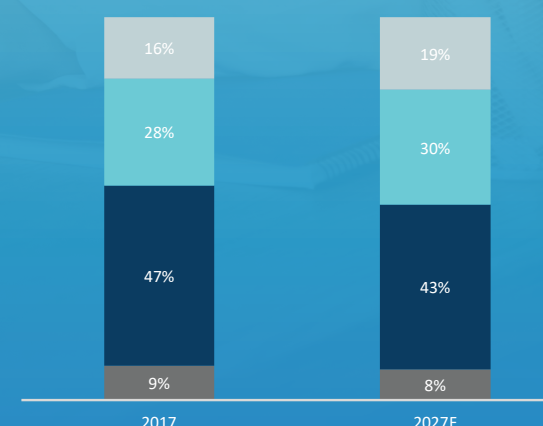
GLOBAL OUTLOOK (IN BN)



■ Millennials (Gen Y) ■ Gen Z ■ Others

INDIA'S WORKFORCE CLASSIFICATION BY AGE (IN YEARS)

■ 15-17 ■ 18-35 ■ 36-49 ■ 50-64



Source: Census 2011, Cushman & Wakefield Research

RISING DEMAND AMID CONSTRAINED SUPPLY

While the largest Indian cities have, hitherto, been the hub for co-living, higher migration and the young professional workforce and students are driving demand for co-living facilities across smaller Tier I and Tier II cities. Furthermore, with over 90 major cities in India showing a population growth of 3% y-o-y, also driven in part by the in-migration in such major economic centres is also expected to drive the growth of the co-living sector in the short to medium term.

Based on current home ownership data and built-up homes, around 40% of existing housing stock in large cities is a part of the rental market. Though comparatively smaller, the rental market constitutes a sizeable share of the housing market in smaller economic centres of India as well.

It is thus evident that the latent demand for quality rental housing is driving the need for innovative co-living solutions assuring hassle-free stay, modern amenities to the residents along with a sense of community. It also renders a vibrant social ambience, security, flexibility and easy accessibility to physical and social infrastructure. The target user for such a co-living set-up is driving the need for standardization with ample scope for customisation as per requirement.

Growth Drivers of shared economy in India

India demographics

- 34% of the population is in the 18-37 years age group
- 36.6 million students in the country
- Increasingly the young working age group (21-40 yrs) is showing willingness and opting to migrate to newer locations/cities for work
- Technology, community & social engagement and lifestyle experience across the three planes of work, leisure and accommodation are driving development of new formats of office and stay

Urban rental housing

- 28% of urban households stay in rental housing
- The proportion is much higher in the larger cities
- Informal leasing market with landlord bias and restrictions act as limitations for the rental housing market
- Non-standard, unorganized and low quality services and facilities for co-living (PGs/dorms/hostels)

Source: Multiple government sources, NSSO, Census 2011 (extrapolated for current year)

DEMAND ESTIMATION PROCESS

Using GDP estimates & growth rate to derive & focus on top 30 Major Economic centres

Population enumeration for Age Group Classification: 20-39 years

Extrapolating and dicing Census 2001 & 2011 on 20-39 Years in Top-30 Cities

Segregation based on marital status, domicile status (domicile/migrant) in relevant age group

Analysis based on home ownership data (rental/owned) and parity (education level, assets possession, job level classification)

Segregation based on main white collar workforce out of total workers for age groups

Chosen age group for demand estimation
Population in age group 20-39 years in Top-30 Cities

- 4.63% of total population of India
- 7.72% of total working age population of India
- 15.84% of the urban population of India

Female participation 2021: 41.6%

Relevant age group population in India shall stabilise post 2025

Additionally, many students in the age group of **20-24 years and 25-29 Years** might opt for core living instead of student housing and thus there numbers have to be included to calculate the total size of co-living market

POTENTIAL OF Domicile Singles Moving out of Parental Households

= Additional **15-25%** of core demand
(INCREMENTAL DEMAND)

Although 35-39 year olds represent a small ratio in number of singles; their high ratio of parity in terms of income level proposes a sizeable share in core demand.

Source: Census 2001 & 2011, Cushman & Wakefield Research

Working Singles living on rent (migrants and domiciles)
(CORE DEMAND)

+

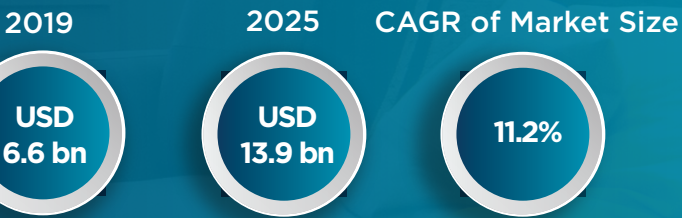
Unmarried student population in the same age group

=

Co-living Demand

KEY HIGHLIGHTS

Co-Living Market Size Top-30 Cities



Consolidated Demand Top-30 Cities (No. of Beds)



Private Room Demand as % of Total Demand



2021

Number of singles living on rent > Number of singles with home ownership

- ✓ People will move out of parental households
- ✓ People on rent likely to upgrade lifestyle due to increased disposable incomes

TOP 8 CITIES (20-39 Y) - CORE OF THE CO-LIVING DEMAND IN INDIA

Delhi NCR
Mumbai (MMR)
Bengaluru
Hyderabad
Pune
Chennai
Kolkata
Ahmedabad

Core Demand (in million)

Singles Living on Rent

Year		Domicile	Migrants
2018-19	1.97	(54.0%)	(46.0%)
2021	2.26	(42.7%)	(57.3%)
2025	2.61	(23.4%)	(76.6%)

Additional Student Housing Demand (in million)

Migrant Students living on Rent

	20-24 Years	25-29 Years
2018-19	0.61	0.24
2021	0.68	0.26
2025	0.77	0.30

22 TIER 2/3 CITIES (20-39 Y) - CATCHING ON TO THE TREND

Jaipur
Lucknow
Chandigarh
Dehradun
Surat
Vadodara
Bhubaneswar
Nagpur
Nashik
Coimbatore
Mysore
Vizag
Kochi
Trivandrum
Jamshedpur
Guwahati
Patna
Indore
Ranchi
Bhopal
Thrissur
Agra

Core Demand (in million)

Singles Living on Rent

	Domicile	Migrants
2018-19	0.84 (46.4%)	(53.6%)
2021	0.96 (36%)	(64%)
2025	1.12 (17.8%)	(82.2%)

Additional Student Housing Demand (in million)

Migrant Students living on Rent

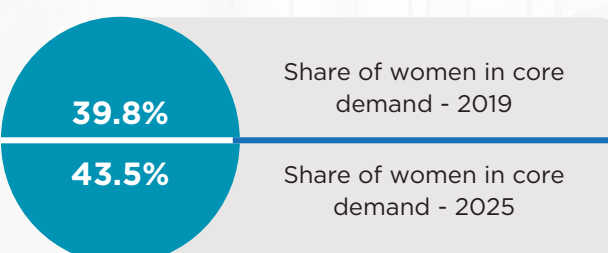
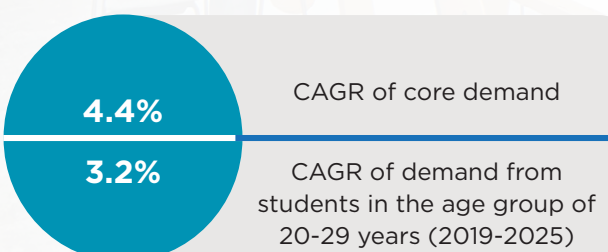
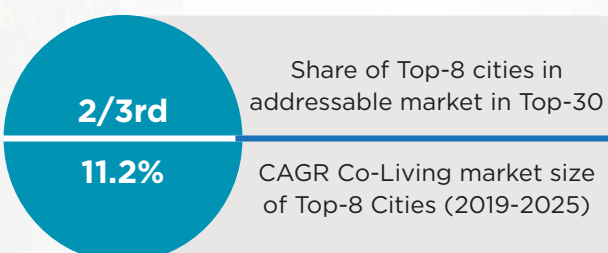
	21-24 Years	25-29 Years
2018-19	0.38	0.15
2021	0.43	0.16
2025	0.49	0.19

Co-Living Market Size 2019: **USD 5.13 bn**

Co-Living Market Size 2025: **USD 10.8 bn**

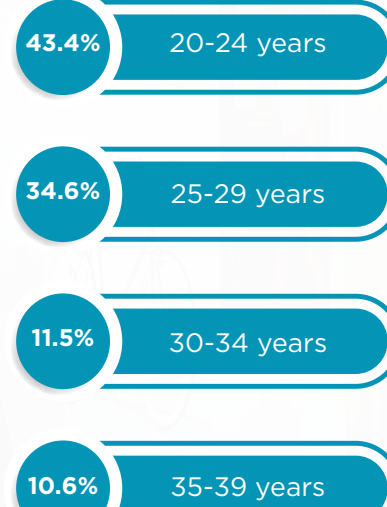
For Market Size Calculation

Average cost of private room: INR 17,000/month
Average Cost of bed/shared room: INR 9,500/month
Private bed share: 15% in 2019 to 30% in 2025

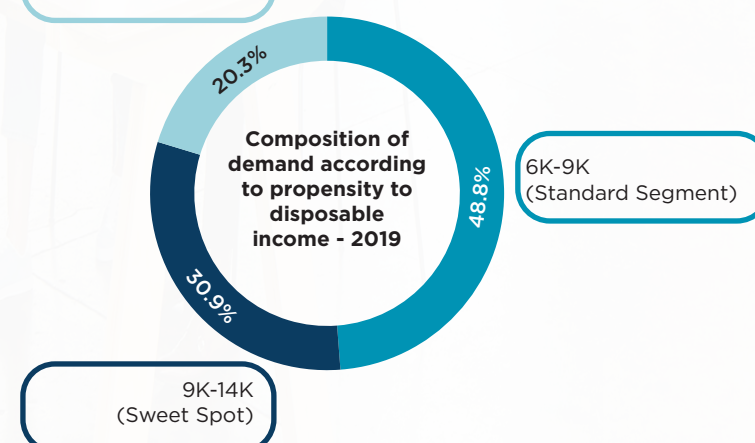


Demand composition of total co-living demand as per age groups - 2019

21-39 years



14K-25K
(Premium Segment)

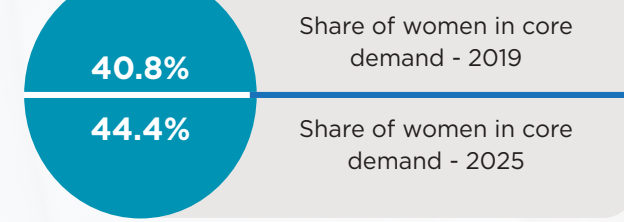
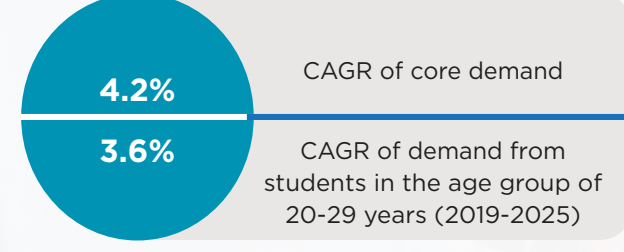
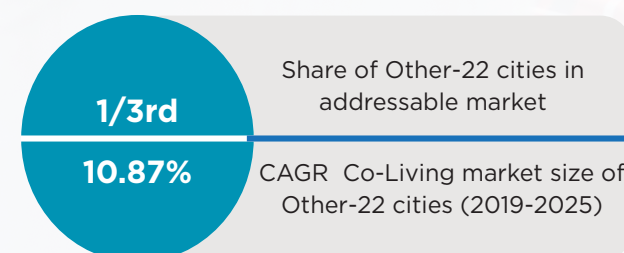


Co-Living Market Size 2019: **USD 1.54 bn**

Co-Living Market Size 2025: **USD 3.12 bn**

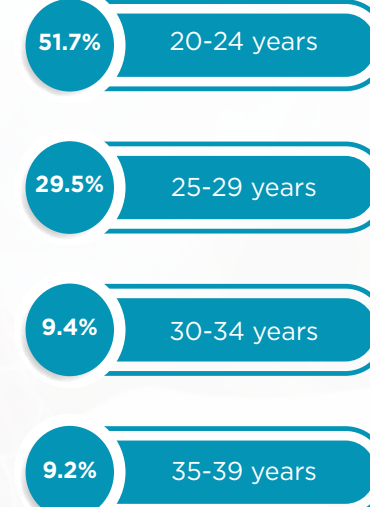
For Market Size Calculation

Average cost of private room: INR 9,000/month
Average Cost of bed/shared room: INR 6,000/month
Private bed share: 15% in 2019 to 30% in 2025



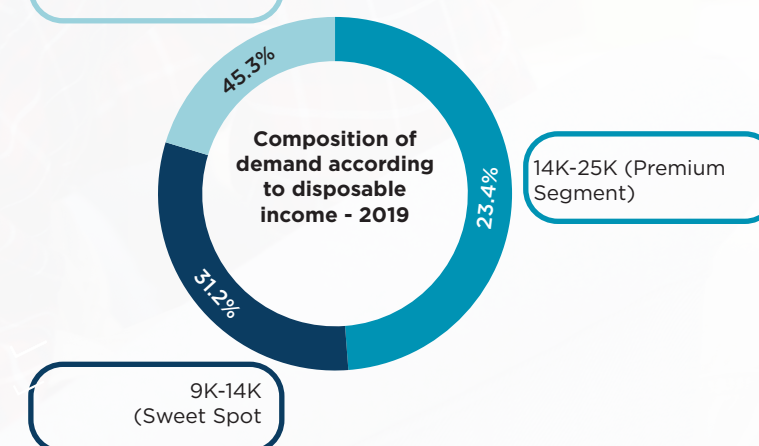
Demand composition as per age groups - 2019

21-39 years



The next 22 big Tier2/3 cities present an almost equal demand to the current chosen cities

6K-9K (Standard Segment)



Source: Census 2001 & 2011, Cushman & Wakefield Research

*Due to considerable shift in population due to higher number of GenZ in 2021, the forecast numbers might increase by as much as 10% of the above indicated

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CO-LIVING

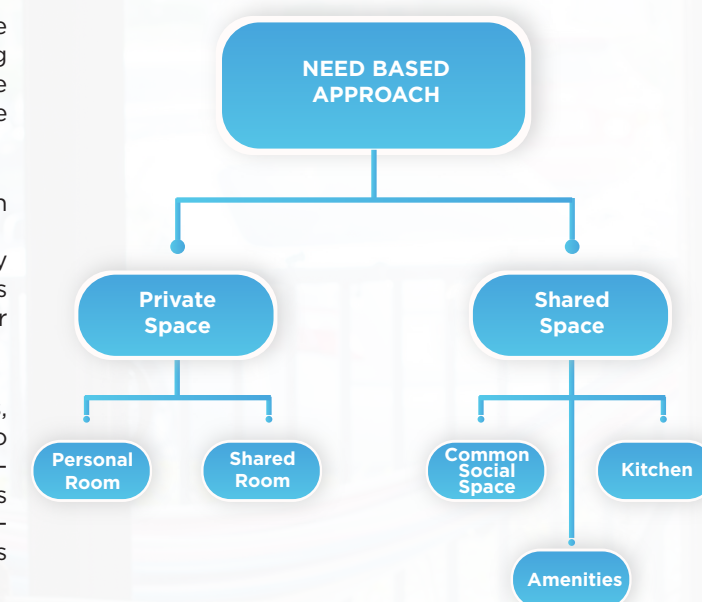
THE BETTER OPTION

CREATING COMMUNITIES

Price point sensitivity, premium amenities and convenience might be the main reasons why millennials opt for co-living facilities, but the feeling of community and collaboration are important factors too as to why they would place their choice in such a concept over a longer period of time.

With that realisation, co-living operators create spaces that can afford to create diverse experiences for their users, incorporating elements such as well-designed community areas, common kitchens, terrace gardens, libraries, gyms, cafes etc. where different community members can come together and derive the sense of community and experience.

These spaces are supplemented by social events like sports, festivals, birthday parties etc. to give a reason for people to come together. For ensuring sustained success co-living operators, also lend an increased credence to customer attributes such as lifestyle preferences, educational backgrounds, professional and other personal aspects etc. to put them in spaces with people sharing similar background and interests.



Furthermore, co-living operators have a number of short leased beds, aimed at individuals, corporates - and even backpackers, to host a mix of people to create incidental interactions and keep the environment interesting. This helps them generate both quick and stable revenues and also transcend beyond a hostel/rental model to incorporate aspects of hospitality.

Co-living, as a service, not only empowers the customers and strengthens their experience, but it also provides the operators with credible feedback from the community to consistently innovate and reinvent their business models to remain persistent in the market.

CO-LIVING Hierarchy of needs



COST-BENEFIT INSIGHTS

- 01 An illustration on the cost benefit of co-living space compared to 1 & 2 BHK rental apartment in the same locality, initially indicates at co-living being much costlier.
- 02 A key differentiator is that in the conventional format of renting an apartment, apart from rent, one needs to pay for utility bills, daily grocery, domestic help for daily chores etc. which adds to the overall living costs. On an average INR 5,000 to 10,000 per person per month is spent additionally on these items.
- 03 The co-living set-up takes care of these additional elements while absorbing the total cost as part of the monthly payment itself.
- 04 The average spend on living and household expenses is approximately 20-30% of one's disposable income. Millennials may consider to increase their spending to around 40% for organised co-living formats, which offer an enhanced lifestyle opportunity.
- 05 One of the additional advantages of any co-living set-up is the autonomy it offers. The co-living is based on a plug-and-play model with flexible terms of exit and choices.

	Co-living Premises	Typical Rented Apartment
Monthly rent	To Operator	To Landlord
Security Deposit	2 -3 Months' Rent	6 -10 Months' Rent
Tenure	Flexible, in some cases with 3 month lock-in	Minimum 11 Month lock-in
Flexibility	Flexible terms of exit without notice period	Stringent terms with 1 month notice period; additional chances of conflict with landowner
Common Area Maintenance (CAM)	Included in Rent	Not Included
Utility charges	Included in Rent	Not Included
Meal	Option to be included as part of cost	Not Included
Housekeeping	Included	Not Included
Technology	Advanced technology usage for services & experience	No technology interface
Amenities & Social life	Modern amenities with Wi-Fi, common areas for social interaction	Amenities to be sourced on additional cost, no social interaction

Charges/Costs

- Shared rooms - INR 6,000-18,000 per person per month
- Personal bedrooms - INR 14,000 - 24,000 per month

Flexibility

- No fixed lease tenure
- Flexible terms of entry and exit
- Online payments
- Curated meal plans and every possible modern amenities

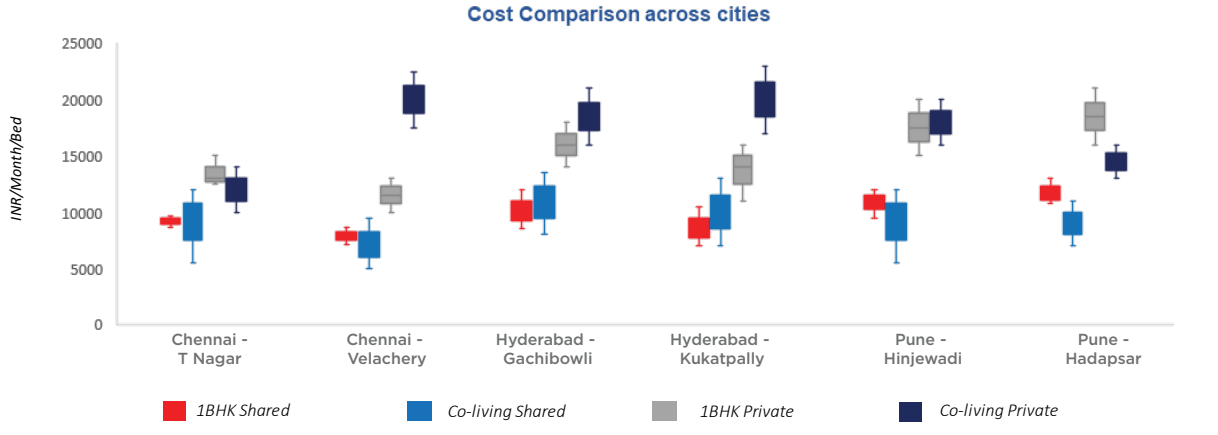
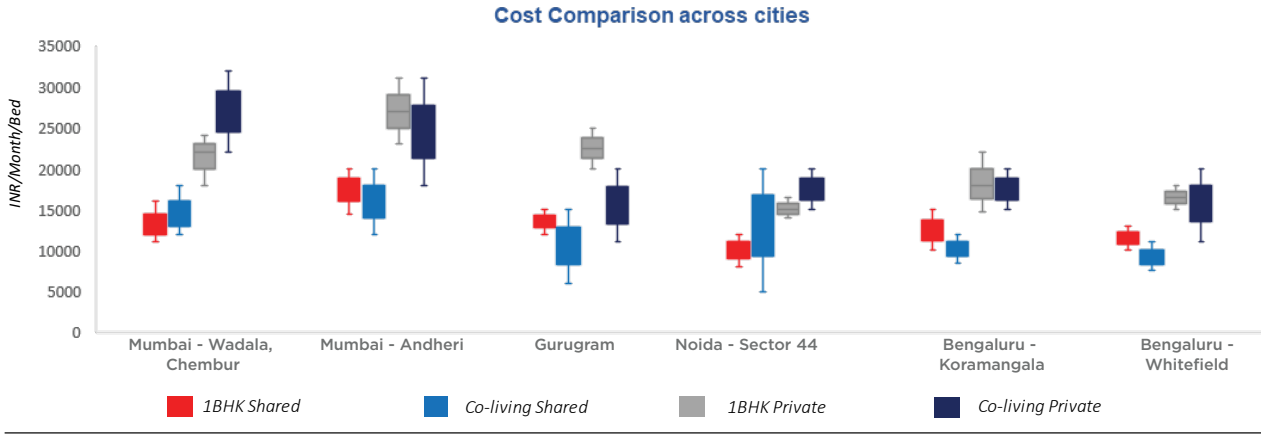
Community

- Social engagement post work hours
- Operators often help inmates in choosing and selecting co-inmates based on similar interests, work profiles

FOCAL POINTS OF ACTION

[This section illustrates the city wise location (actual and potential demand combined) of co-living supply vis-a-vis prominent office locations, transit hubs and commercial centres, and a comparison on price points of 1BHK rental v/s co-living options]

We have selected the top metro cities in India where co-living as a concept has penetrated well and has experienced considerable expansion and growth. This emerging sector is vibrant with start-ups venturing into each of these selected cities and providing categories of organised co-living options to the millennials. We have mapped the co-living hubs that have currently developed or are yet to develop in vicinity of prominent business districts in these cities and have also portrayed a comparison of their rents with 1 BHK shared room and 2 BHK private rooms in informal rental housing market, suitable for both individuals and couples. This gives an idea about the competitive price points and scope for future development in the sector.



MUMBAI

DELHI-NCR

BENGALURU

CHENNAI

HYDERABAD

PUNE

Presence

Due to high property prices, Mumbai has seen low penetration of co-living operations. Future growth of co-living micro-markets in vicinity of employment and transit hubs is likely

Co-living facilities are quite prominent in Gurugram, driven by working professionals

Most of the co-living set-ups are present in locations along Outer Ring Road, Whitefield, Electronic City catering to both working professionals and students

Presence

Lower growth in co-living sector as compared to other metros but the trend is catching up fast. Growth near prominent business hubs catering to the young working professionals

An evolving co-living market marked by the presence of regional co-living operators catering to the working professionals in nearby commercial hubs

An emerging hub for co-living spaces with considerable growth potential backed by large number of working millennials

Major operators

Zolo Stays, NestAway, YourSpace

Zolo Stays, NestAway, CoHo, Ziffy-Homes, Oyo Life

Colive, Zolo Stays, NestAway, CoHo, StayAbode

Major operators

Zolo Stays, NestAway and Colive

Living Quarter, Zolo Stays, NestAway, Aarusha Homes, Flathood, Boston Living

Zolo Stays, NestAway, YourSpace, Flo Colive

Cost comparison

The average cost of co-living is significantly lower than the average cost of renting an apartment due to the low cost of shared rooms.

The average cost of co-living and renting are comparable in suburban locations like Thane and Vashi due to low cost and demand for rentals. This is true for both co-living private and shared facilities.

The average cost of co-living in Delhi-NCR is comparable to the average cost of renting apartments, which points towards a dynamic rental market.

The cost of a private room in a co-living facility is generally lower than renting apartments in Delhi, Sushant Lok-Gurugram, Sector 61-Noida thereby making co-living an attractive prospect for millennials.

The average cost of co-living facilities is significantly lower in peripheral areas but comparable to the average cost of renting apartments in core city areas like Indiranagar & business hubs like Outer Ring Road (Marathahalli-Bellandur)

The cost of co-living shared rooms is comparable to rented shared apartments in suburbs such as RK Hegde Nagar and Sarjapur. However, cost of private rooms in co-living in the same locations is significantly higher than renting apartments.

Cost comparison

Chennai presents an affordable rental market with a slight difference between vanilla rental apartments and co-living options. Cost of shared co-living is more affordable than private co-living accommodation across major localities

Hyderabad presents comparable rates between co-living and vanilla rental apartments, suggesting equitable demand and supply.

The average cost of both private and shared co-living is significantly lower than renting an apartment in Pune compared to other cities.

Most of the operators offer affordable private room options. The rapid expansion of outliers like OyoLife and Zolostays brings down the average cost of co-living beds and rooms by 30-50% compared to their competitors, making the co-living market very attractive in Pune.

Prime locations

Average gap in rented apartments and co-living is maximum in high-end residential areas like Bandra and Andheri due to higher real estate costs and their attractiveness amongst millennials that drives demand.

Co-living set-up is the costliest in Lower Parel, Bandra-Khar-Santa-cruz axis, Wadala-Chembur, and Kurla-Sion due to their close proximity to prominent business hubs thus attracting young professionals.

The cost of co-living for both shared and private rooms is equivalent to or more than renting apartments in Gurugram and Noida both, with a huge range of price options, catering to a diverse consumer base and offering both affordable and premium packages.

The co-living market in Bengaluru is evenly spread across the city and has mainly come up in the North, East and South, in proximity to major IT and commercial hubs.

The cost of private co-living accommodation is quite similar to vanilla rental apartments when averaged out at a city level, with comparable price ranges in many areas, suggesting a mature and equitable co-living market.

Prime locations

Premium co-living presents a niche segment in the otherwise low-cost low-facilities rental market in areas like Porur, Velachery and Palavakkam, which have the capacity to upgrade owing to demand arising on account of proximity of these locations to business and transit hubs.

T Nagar, a prominent residential and market area, with proximity to business hubs and colleges is the only area where cost of renting an apartment is higher than private rooms in co-living facilities.

The maximum cost of private co-living accommodation exceeds vanilla rental costs due to the added value of premium facilities given by the operators. This is true across major localities such as Kukatpally and Gachibowli, which are mostly popular among IT professionals.

The overall low and comparable costs across areas with prevalence of co-living options, distributed along the major tech hubs, suggest a concentrated rental market with the focal point being Hitec City.

The presence of a sizeable student population has increased the demand for shared rooms in comparison to private rooms, with most co-living operators and facilities focusing solely on shared and affordable amenities and less on premium facilities.

Most of the facilities have sprung up near prominent business hubs of Hadapsar, Kharadi and Hinjewadi.

Note: Living cost includes Utility bills, Housekeeping, Grocery & Food, common area maintenance and internet. It has been considered at INR 5,000 to 6,500 /person/month

Note: Living cost includes Utility bills, Housekeeping, Grocery & Food, common area maintenance and internet. It has been considered at INR 4,600/person/month

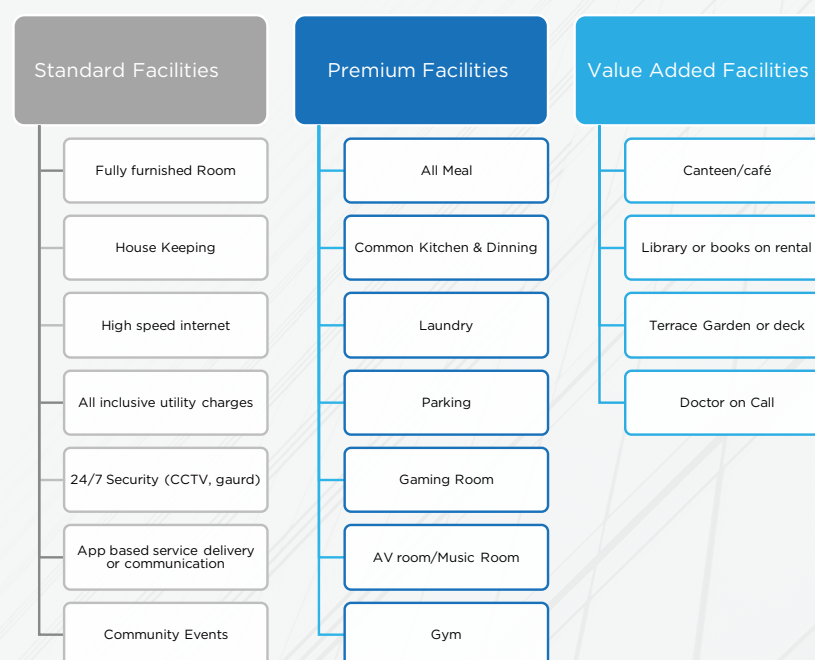
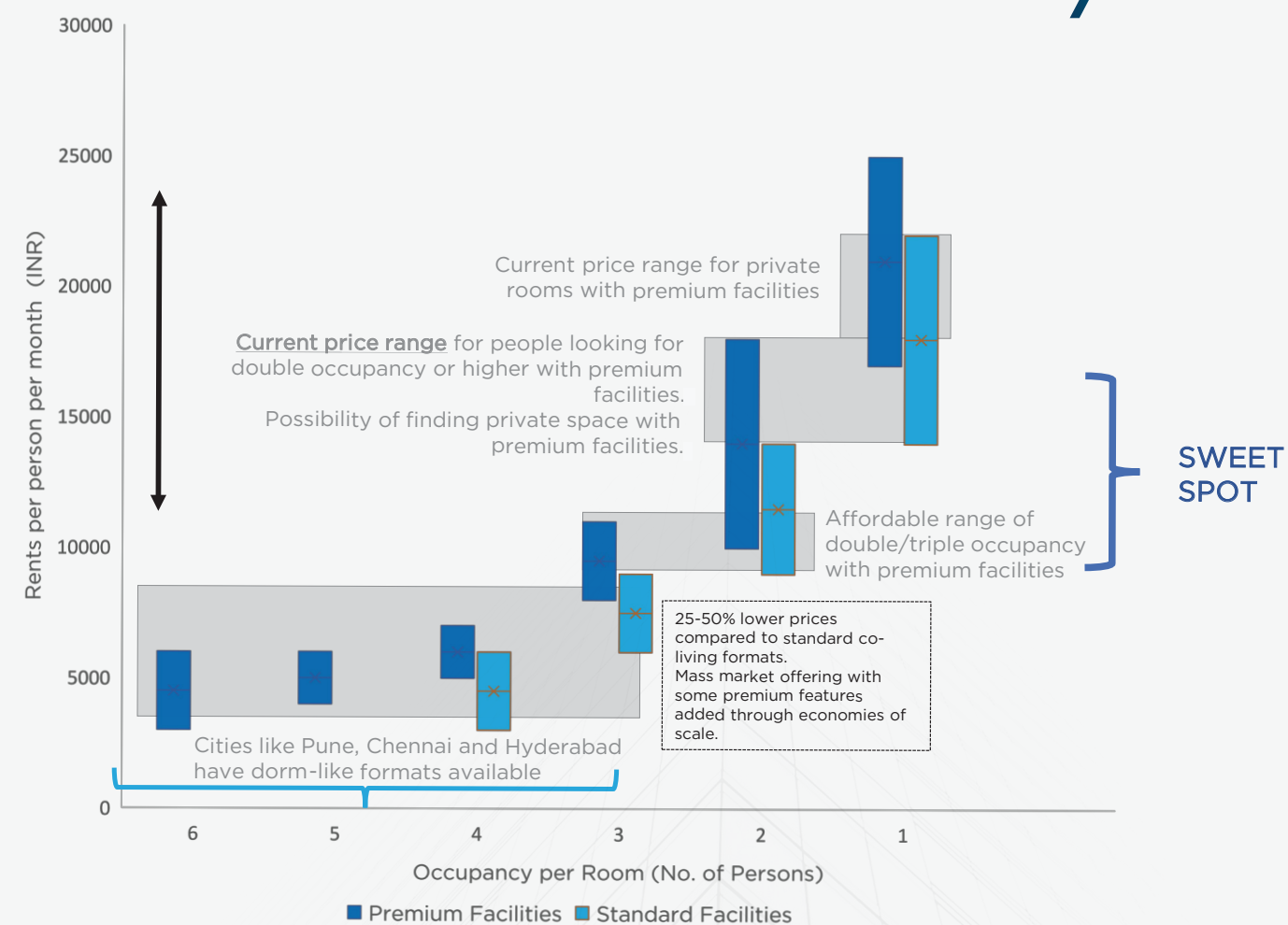
Note: Living cost includes Utility bills, Housekeeping, Grocery & Food, common area maintenance and internet. It has been considered at INR 5,000 to 6,500 /person/month

Note: Living cost includes Utility bills, Housekeeping, Grocery & Food, common area maintenance and internet. It has been considered at INR 4,100/person/month

Note: Living cost includes Utility bills, Housekeeping, Grocery & Food, common area maintenance and internet. It has been considered at INR 4,200/person/month

Note: Living cost includes Utility bills, Housekeeping, Grocery & Food, common area maintenance and internet. It has been considered at INR 4,200/person/month

PRODUCT AND CUSTOMER SEGMENTATION



The co-living market no longer represents one-size-fits-all. Although, prominent commercial and transit hubs in major economic centres of the country make up the core locations around which standard and premium niche models of co-living thrive; the outskirts of tier-1 cities and most of the areas of tier-2/3 cities represent areas suitable for basic, affordable co-living models catering to a larger segment.

Location will not be the only factor that dominates the discussion around the co-living landscape. A diverse audience with dissimilar characteristics centred around age, income, educational background and occupation shall drive operators to curate the facilities and the associated amenities based on the appropriate target segment, the wallet size and the willingness to spend.

Basic co-living models include dormitory-style formats; standard co-living models represent an upgraded version of PG accommodation, are largely run by aggregators and serve those who cannot afford the rental prices of central locations or are starting out professionally and willing to compromise on premium facilities.

Pricing of various co-living formats is a function of the variation in product offerings. The variance in formats is derived from room-sharing ratios, amenities offered and investments in the overall customer engagement platform.

Source: Cushman & Wakefield Research

OPERATOR MODELS

EVOLVING BUSINESS ENVIRONMENT

“Technology will have to be at the forefront and the supporting act of the co-living play in India. As the solution is designed for today's millennial, it will have to ape other services that the sharing economy has created for them. Living, as a whole hasn't seen any progress on the tech front from traditional real estate players.”

- Devashish Dalmiya
Co-Founder
Stayabode

OPERATOR CLASSIFICATION

OPERATOR-LANDLORD RELATIONSHIP

Parameters

WHAT?

Typical Premises
Leased

Modes of
Operation

Enhanced Service
Offerings through
Tech

Revenue Models
with Landlord

Full-Stack Model

*CONSOLIDATED PORTFOLIO;
Provides end-to-end service delivery
of co-living facilities; community
engagement*

- Apartments
- Bungalow
- Built-to-Suit
- Standalone Residential towers and commercial buildings

- Undertaking fitouts
- Delivers premium facilities
- Inventory management
- Asset management
- Facilities management
- Relationship management

- Feedback and escalation
- Rent and utilities payment
- Contract management
- Efficient support
- Support services- transport, etc.
- Community led engagement events

- Fixed rent
- Revenue sharing
- Minimum guarantee

Aggregator Model

*AGGREGATION OF PROPERTIES;
Provides a convenient channel to lease
standardized rental properties and in
some cases, manage them*

- Apartments
- Bungalows
- 3rd party hostel rooms

- Facility management (in some cases)
- Undertaking fitouts and asset management (rarely)

- Service calls for repair and maintenance
- Digital wallet to manage common budget

- Revenue sharing
- Minimum guarantee



Pure Lease model

Operator leases and operates the property

- ✓ Landlord provides property (building) & is responsible for interiors, fit outs depending on the agreement
- ✓ Operator is responsible for O&M, minor renovations
- ✓ Short term lease of 3-5 years
- ✓ Landlord is responsible for bearing OPEX costs; Operator shall run the operational processes
- ✓ Fixed rent financial model

Hybrid model

Operator will lease & operate the property but with a revenue share model (Hybrid)

- ✓ Landlord provides property (building) & shares a part of CAPEX on fit outs
- ✓ Operator shares a part of CAPEX on fit-outs & is responsible for O&M
- ✓ Short term lease of 3-5 years
- ✓ Landlord is responsible for OPEX costs

Opco – Propco model

Management contract-type model between operator and the landlord

- ✓ Landlord is responsible for property construction as per specifications & fit outs
- ✓ Operator is responsible for O&M
- ✓ Long term lease of 15-20 years
- ✓ Landlord is responsible for OPEX
- ✓ Operator manages the property on behalf of owner

Financial Relationship Models

Fixed Rent Model

- Rent Received per bed
- 20-30% to Landlord
- 40-50% as operation cost
- **20-30% as operator margin**
- Capex on fitouts, utility and service cost - on Operator

Minimum Guarantee Model

- Rent Received per bed
- 50-60% to Landlord
- **40-50% to Operator**
- Minimum rent guaranteed to landlord even if operator is unable to meet required occupancy
- Capex, Capex - Fitout, utility & service cost on Landlord
- Human capital & Marketing - on Operator

Revenue Share Model

- Rent Received per bed
- 75-80% to Landlord
- **20-25% to Operator**
- Capex - Fitout, utility & service cost on Landlord
- Human capital & Marketing - on Operator

Cost of fit-out for co-living operators

STANDARD

- Cost: INR 300-400/sq ft
- Size: 120-150 sq ft/room
- Average INR 30,000 to 60,000 per room (INR 20,000 per bed for double sharing)
- Fitout cost includes - hard and soft furniture, electronics & equipment.

PREMIUM

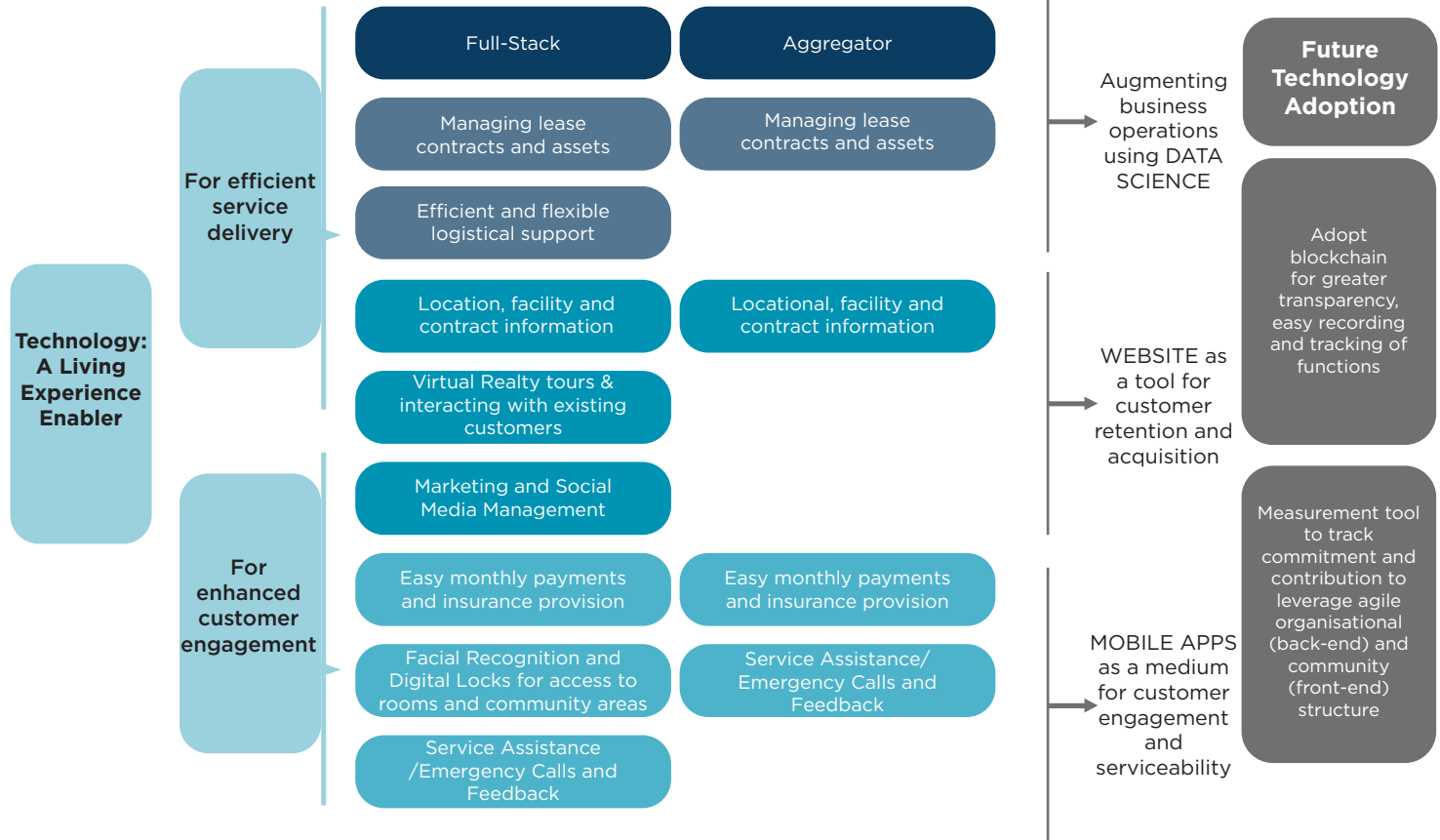
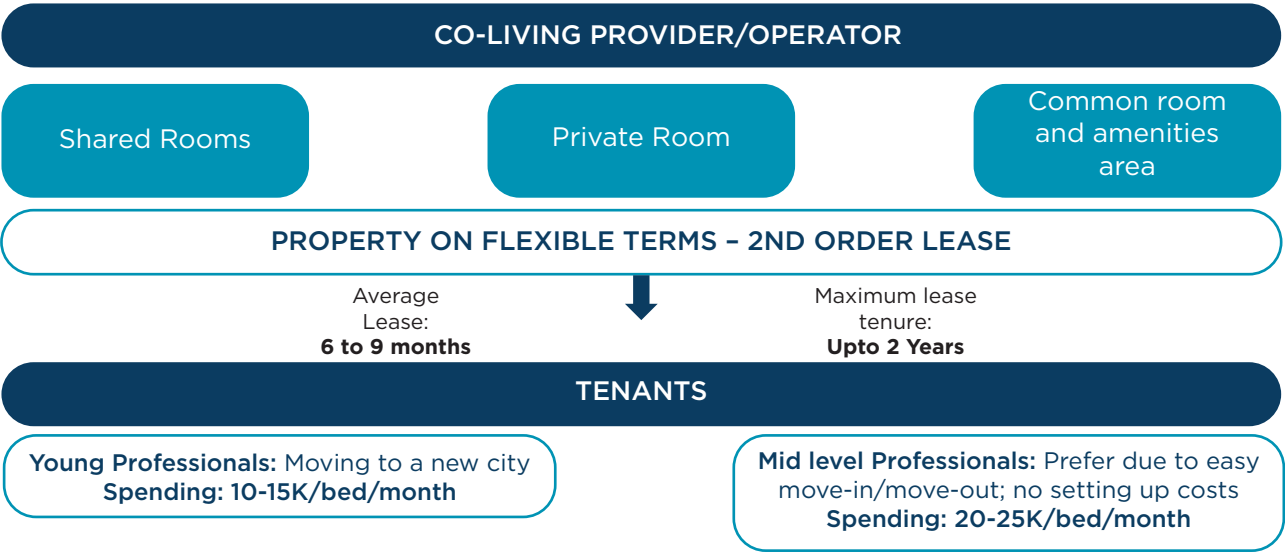
- Cost: Up to INR 500/sq ft
- Size: 150-175 sq ft/room
- Average INR 60,000 to 100,000 per room (single bed)
- Fitout cost includes - hard and soft furniture, electronics & equipment.

TECHNOLOGY REDEFINING OPERATOR-TENANT RELATIONSHIP

Technology is enabling greater traction in the shared economy concept. The modern, collaborative economy concept in terms of shared transportation services (app-based cab services, car pools), rental serviced apartments (Airbnb), shared music app services (Spotify), co-working and now co-living has been a major disruptive force for key industries. As the feeling of ownership is gradually giving way to preferences of the millennial generation to borrow or share on a peer-to-peer basis, these rather informal elements are taking on a more cohesive and organised shape and giving rise to newer businesses.

Existing buildings are taken up by operators, and upgraded to create a mix of both private and public spaces which in turn lowers down the rentals to be paid by end-users, thereby making it affordable to the customer and profitable for the service provider.

Operators generally prefer to not purchase or acquire properties as it involves liquidity risks, higher capex and long breakeven periods while creating an asset-heavy business model.



THE CURRENT CO-LIVING LANDSCAPE



PAN-INDIA OPERATOR OVERVIEW

The co-living market in India is evolving at a rapid pace, with investments from national and international institutional investors bringing in much-needed seed capital as well as future rounds of funding thereby allowing a new business model to thrive and aim towards achieving scale.

Co-living operators are tying up with developers for built-to-suit property options - an upcoming trend likely to prevail in the sector.

Operators opting for ready to move in properties, which are refurbished and renovated as per their requirements, are showing preference for properties having at least 50-60 rooms.

2,00,000+ beds
Pan India Capacity of major
co-living players as of Q4 2019

6,00,000 beds
Pan India Capacity of major
co-living players by end-2021

A Look at the Major Co-living Players in India

Name	Footprint	Number of Beds (Operational/under development)	Expansion Plans	Occupancy Rate	Rate (INR/person/month)	Operational Model
ZoloStays	Delhi NCR, Pune, Kota, Mumbai, Bengaluru, Hyderabad, Coimbatore, Chennai	45,000+	200,000 beds by 2022. Kota, Pune, Davanagere, Bokaro, Coimbatore, Manipal, Indore, Nagpur, Nashik and Chandigarh	80% +	5,000 - 16,000	Lease/Revenue share model
Nestaway	Bengaluru, Mumbai, Delhi NCR, Thane, Navi Mumbai, Pune, Hyderabad, Mysore, Kota, Bhubaneswar, Visakhapatnam, Coimbatore, Kolkata, Chennai	40,000+	100,000 beds by 2020 - Multiple Tier-II cities	NA	8,000 - 24,000	Aggregator cum management contract model
OYO Life	Delhi NCR, Bengaluru, Pune, Mumbai, Hyderabad, Chennai, Kolkata, Jaipur, Coimbatore, Mysore	40,000+	100,000 beds by 2020	85 - 90%	6,000 - 18,000	Lease/Revenue share model
CoLive	Bengaluru, Chennai, Hyderabad	20,000+	50,000 beds by 2020. Expand presence to university towns	85% +	5,000 - 30,000	Lease/Revenue share model
Hourr	Delhi NCR, Mumbai, Kota	10,000+	Delhi NCR, Mumbai, Kota, Bengaluru, Chandigarh, Hyderabad, Pune	NA	10,000 - 25,000	Management contract with developer for BTS options
CoHo	Delhi NCR, Bengaluru	5,000+	100,000 beds in 3 years Pune, Hyderabad, Chennai, Mumbai	90% +	9,000 - 25,000	Lease/Revenue share model in BTS properties
Grextar	Bengaluru	5,000+	Pune & Hyderabad	85% +	6,000 - 24,000	Lease/Revenue share model
FF21	Bengaluru	2,000+	Bengaluru	NA	9,000 - 21,000	Lease/Revenue share model in BTS properties
YourOwnRoom	Bengaluru, Pune	2,000	Hyderabad 17,000 beds by 2022	90%	6,500 - 20,000	Lease/Revenue share model
Ziffy Homes	Delhi NCR	2,000	Delhi NCR	80% +	10,000 - 30,000	Lease/Revenue share model
SquarePlums	Bengaluru	1,500+	Delhi NCR, Chennai, Mumbai, Pune, Hyderabad	85% +	14,000 - 20,000	Management contract with developer for BTS options
StayAbode	Bengaluru	1,500	Bengaluru, Chennai, Mumbai	97%	13,500 - 27,000	Lease/Revenue share model

● Operators targeting working millennials & students

Established developers announcing co-living foray
Embassy Co living - Initial plan of 20,000 beds across
Bengaluru and Pune
Puravankara - 1,000+ beds in Mumbai
Brigade Group - Preliminary planning stage

Hamstede Living (JV between Warburg Pincus & Lemon Tree)
Expansion Plans - Top metro cities
Co-living model - Develop, operate & manage; to acquire assets as well

PE INVESTMENT INSIGHTS

Name	SEED	Series A	Series B	Series C	Series D & Further	Debt Funding	Investor
In million USD							
Zolostays	Undisclosed	5	30			7	Nexus Venture Partners, IDFC Alternatives, Mirae Asset, Trifecta Capital
Nestaway	1.2	12	30	51	14		Goldman Sachs, US-RNT Fund, IGG Capital, Tiger Global, Flipkart, InnoVen Capital, Epiq Capital
*OYO Life	undisclosed	100	350	90	2,700	7.1	Softbank Group, Sequoia Capital, Hero Group, GreenOak Capital, Lightspeed Venture Partners, Innoven Capital, Airbnb
CoLive	2.8	9.2					Salarpuria Satva Group, Ncube Capital Partners
Hourr	Undisclosed						Abhishek Lodha, Pirojsha Godrej
CoHo	Undisclosed						Calcutta Angels & AdvantEdge Founders
Grextar	1.5						Venture Catalysts, Private Investors
YourOwnRoom	1.3						Lotus Capital, Angel investors
Ziffy Homes	1.905						Y Combinator, Private Investors
SquarePlums	0.45						Private Investors
StayAdobe	Undisclosed	Undisclosed					People Group, Morgan Stanley, Akatsuki & Private Investors

*includes all funding into the parent company - OYO

EVOLVING BUSINESS ECOSYSTEM A NEEDED IMPETUS TO GROWTH

MARKET INCLINATION

India's housing market is structurally skewed towards a built-to-sell model while a largely unorganized market serves the rental housing segment.

Nearly 11 million residential units are lying vacant even as migrating citizens struggle to find the right rental options.

With the shared economy gaining ground, operators are merging the need for experience and standard rental housing facilities that particularly cater to those at the mercy of individual landlords.

Developers active in the residential segment may also look to cater to the co-living demand and explore the built-to-rent market.

Contractual arrangements between co-living operators and property landlords are also likely to evolve with a management contract model serving as a potentially workable solution along with shared costs or a minimum guarantee and revenue sharing model.

GST AND TAXATION

With the co-living market gaining momentum, state governments would look to formalise the sector through industry-friendly regulations. Currently, any residential rent-out fetching value below INR 2 mn annually is exempt from GST, whereas 18% GST is levied if it is above this value. When co-living operators lease out a commercial building, 18% GST is applicable on them which gets loaded on to the accommodation costs for end-users.

For short-term occupants, if the overall charge is below INR 1000/day, the tariffs are exempt from GST. Going forward, to formalize the market for co-living, the government must consider it as residential leasing to exempt it from GST or put it in a lower GST bracket of 1% or 5%. Furthermore, short-term stays in co-living facilities must be clearly defined in terms of maximum number of permissible days and be exempt from GST.

INTERNATIONAL TRENDS

Property owners may take a leaf out of the book of their international counterparts and realise the incremental returns that are viable under a co-living arrangement and use of their property.

CONCLUSION

01 The international market for co-living is growing at a rate of approximately 30% y-o-y, with the trend catching up in major economic centres. In the last 10 years, communities and industry bodies that list occupancies for co-living have shown a threefold growth in listings. Globally, the co-living sector has become an asset class comparable to multi-family accommodation within the same age-group as standard amenities, communal living and comparably lower costs appeal to the sensibilities of the millennial generation.

02 Within India, the co-living model is currently catering to mostly millennials comprising single, young working professionals and student population due to an overlap with the latter segment in terms of target audience. The current lifestyle of millennials demands proximity to city centers, availability of communal spaces and the desire for shared amenities for reduced tariffs and a collaborative, experience-led lifestyle. Additionally married couples may also be interested in multi-family living concepts, given these concepts are introduced in India in the future. Presently, some models with single working population and married couples in an integrated co-living set up are being practiced in Europe and America. Although smaller in proportion of demand, it can steer the outlook and operating model of rental units to newer built-to-suit models. Furthermore, as the business evolves, co-living could prove to be a disruptive force for demand for rental housing from migrant families.

03 Thus, co-living as a concept is expected to expand its user base within the given age demographic. The service offerings are also going to be more standardised and will keep evolving based on a continuous user feedback mechanism. This is good news, because it suggests growth and innovation in a nascent market that shall allow it to leapfrog many growth milestones within a short duration.



This sector is witnessing large amount of private equity participation with the likes of Goldman Sachs, Softbank, Sequoia Capital, IDFC, Mirae Assets etc.

Investors can gain advantage with current valuations, entry points and yields looking attractive.

Yields could be 6-8% compared to 1-3% rental yields on traditional rented houses.

There is heightened interest globally with investors like GIC, Blackstone, Warburg Pincus setting up own platforms or investing in existing players

Entry of large players such as WeLive (WeWork's co-living enterprise) in India in the short to medium term



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