

INVESTING IN THE FUTURE

The value of co-living

A new generation
of shared living



A complex housing crisis

Across Europe, countries are struggling with three significant housing-related challenges

1. Building enough homes to meet the growth in demand

In the UK, for example, **demand for new homes is rising** due to:

Population growth:

- > From 2001-21, the population of the UK increased by **13%** to c. **67m**¹
- > By 2036, it is expected to increase by a further **6.6m**¹

The rise in single-person households:

- > Around **8.3m** people now live alone – a 25% increase over the last 25 years²
- > This can also be a driver of **social isolation** and loneliness

And the supply of new homes is failing to keep pace:

- > Annual house completions are ~50% lower than in the 1960s³
- > On average, ~180k new homes have been built in the UK p/a since 2011⁴, well below the estimated need of 340k⁵
- > In recent years, higher construction costs and material supply chain issues have also constrained house-building across Europe

Buying a house has become increasingly unaffordable

- > In England, the average house now costs **nearly 9x** the average salary⁶
- > While in the EU, house prices have soared by **47%** since 2010⁷

But there is **not enough capacity in the rental market**

- > E.g. last September in London, there were 22,549 individuals seeking a room, and only 10,833 rooms available to rent – a **shortfall of 11,716**⁸

Inevitably, this is **making rental properties less affordable:**

- > Average private rents in Great Britain have **soared by 26%** since the start of the Covid pandemic⁹
- > Across the EU, **rents have increased by 19%** since 2010¹⁰
- > Over 10% of people in the Euro-zone now spend **40%+** of their disposable income on housing¹¹

2. Responding to changing demographics and lifestyles:

At the same time, **lifestyle shifts** have changed what people want and need from housing:

- > In particular, the Covid pandemic has accelerated the rise of **hybrid working**
- > **29%** of Britons¹² now work from home at least some of the time (which again, can result in social isolation and loneliness)

¹ Office for National Statistics

² Statista.com/ONS

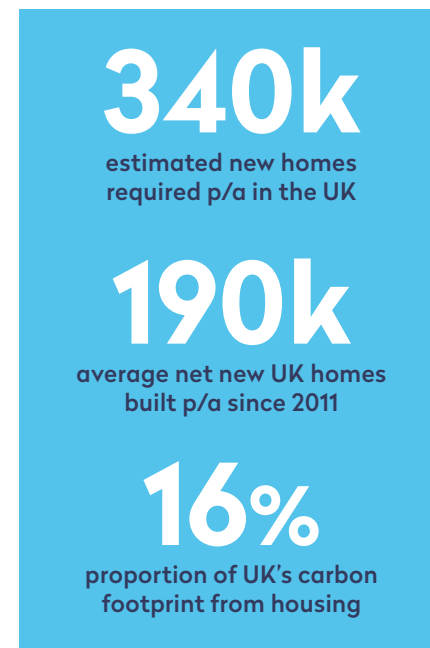
³ Full Fact/Statista.com

⁴ Office for National Statistics

⁵ House of Commons/ Heriot Watt University

⁶ Schroders (as at Nov 2022)

⁷ Eurostat/ Housing in Europe



3. Decarbonising the built environment:

Housing currently accounts for about **one-sixth of UK carbon emissions**¹³ – largely because the UK has some of the oldest, most inefficient homes in the world

- > So **making homes and housebuilding more efficient** is critical to achieving Net Zero

In major cities, existing buildings can account for **over 70%** of carbon emissions¹⁴ – and the hybrid working shift has led to higher city vacancy rates:

- > E.g. London office usage is up to **20% down** on pre-Covid levels¹⁵
- > So any path to Net Zero will require us to find new solutions for these **'stranded assets'**

⁸ SpareRoom.co.uk; ⁹ Savills

¹⁰ Eurostat/ Housing in Europe

¹¹ Eurostat/ Housing in Europe

¹² Office for National Statistics, 2023

¹³ UK Government, March 2023

¹⁴ World Green Building Council

¹⁵ Jefferies, September 2023

A new model for co-living

Rebooting the age-old concept of shared living or co-living can help us tackle these challenges

Co-living is a form of residential accommodation that combines individual studios or apartments with extensive communal and amenity spaces that foster social engagement and community.

This idea of **communal living with shared facilities** is as old as the earliest human societies.

Over the last 200 years, different versions of co-living have flourished across Europe:

▼ Godin's 'Familistère de Guise' in France in the 1860s



▼ The English Quaker 'model villages' of the late 19th/early 20th centuries

▼ Vienna's Karl Marx Hof, built in the 1930s



▼ London's Barbican Centre, built in the 1970s

▼ De Klopvaart, a 'central living' community that emerged in Utrecht, Holland, in the 1980s

A new approach

With our partner HUB, we have been developing a **new standard for professionally-managed co-living**, anchored in sustainability, innovative design and high-quality build/fit-out:

- > Individuals get their own **private room with dedicated sleeping, living, cooking and working space, plus a private bathroom**
- > But they also benefit from access to **communal spaces** that facilitate social engagement, e.g. gyms, roof gardens, communal kitchens, laundry rooms and event spaces
- > There will also be **co-working facilities** to support hybrid working

- > Tenants receive one **all-inclusive** bill for this, enabling greater certainty around budgeting
- > This sharing of resources also helps to **reduce the carbon footprint** per person in the building

We are often working with **under-used commercial buildings** in major cities, taking a **retrofit-first** approach:

- > Where possible, we will **retrofit the existing building**, improving its energy efficiency
- > If not, we will redevelop the building, creating best-in-class schemes that will typically be **net zero carbon** in operation

In light of the challenges we face, the concept of co-living is proving attractive to planners for a number of reasons:

- > Critically, it helps to **tackle the housing shortage**, particularly in major cities
- > It allows for **greater housing density** in urban areas

- > Since the individual units are smaller, they **cost less**, making them accessible to a broader range of tenants
- > And it can be a good way to repurpose vacant, ageing buildings in city centres, in a way that **reduces the carbon footprint of our built environment**



As cities continue to expand and evolve, co-living represents a compelling opportunity to help tackle the housing crisis, reduce emissions, repurpose under-used buildings and revitalise communities

The case for co-living

The investment case for co-living is increasingly clear – especially for investors who value sustainability and impact.

For sustainable and impact investors, co-living offers four key benefits:

1. Tapping into a fast-growing European market
2. Reducing emissions in the built environment
3. Broadening access to quality housing
4. Combating social isolation



Simon Ringer
Head of Property Funds
Bridges

“The co-living model is increasingly popular with planners and occupiers because it’s a way to create vibrant, sustainable residential communities that prioritise both people and the planet. For investors, it also represents an opportunity to acquire stranded assets, at attractive entry prices, and re-develop or convert them into prime real estate with long-term, future-proofed income streams – which should be very attractive to institutions.”



The Fold, London

1 TAPPING INTO A FAST-GROWING EUROPEAN MARKET

The co-living market has been growing rapidly in recent years across Europe:

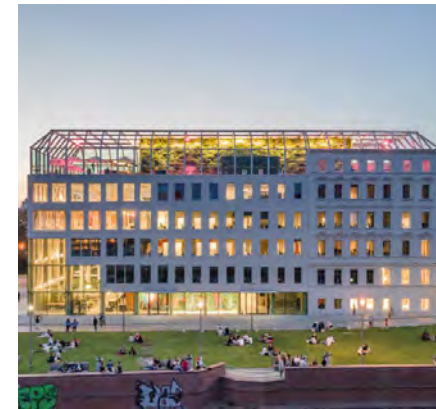
- The number of operational beds now stands at **26,400**, with a further **74,600 units in the pipeline**¹⁶
- That’s an **increase of almost 3x** in the last two years

Existing schemes are proving attractive to a range of tenants, with a skew towards **younger professionals** - who may be more inclined to value the **social and environmental benefits** these developments offer:

- Analysis from existing co-living schemes¹⁷ suggested that **c. 70% of tenants were aged 18-30**, split roughly evenly male/female (55/45)
- Tenants particularly valued the affordability and community: **79% said they had made a connection with other residents**

This **strength and breadth of demand** (which implies strong and secure **rental growth**) is making co-living **more and more attractive to investors**

- 38% of European investors already invest in co-living, while **51% plan to do so in the next three years**¹⁸



Concordia Design, Poland

2 REDUCING EMISSIONS IN THE BUILT ENVIRONMENT

- Where developments repurpose existing buildings – such as vacant offices – it can involve much **less embodied carbon** (i.e. the carbon involved in the material and construction of housing) than new-build developments
- Using **sustainable construction techniques and materials** in the build process can also support this
- During the ‘use’ phase, shared communal areas can reduce energy consumption, water usage, and waste generation, **reducing the per capita carbon footprint** of the building
- One research study suggested the relative carbon footprint of a co-living community was up to **68% lower** than the average UK household¹⁹



La Balma, Spain

3 BROADENING ACCESS TO QUALITY HOUSING AND AMENITIES

- Since the individual living units themselves are smaller, co-living is a **more affordable** option for tenants
- This enables a broader range of the population to find housing, especially in cities
- It allows for **greater housing density** in urban areas
- And it helps to **reinvigorate city-centre areas** where there are high vacancy rates
- For tenants, **all-inclusive rents** create greater clarity and certainty of monthly outgoings, while also providing access to extra amenities like gyms and shared kitchens, which are good for wellbeing



Gleis 21, Austria

4 COMBATING SOCIAL ISOLATION AND BOOSTING INCLUSION

- Co-living can help to **combat the scourge of social isolation** and loneliness – which has a well-attested link to poor health outcomes
- This has clearly become more important in the wake of the pandemic, with more and more people working from home rather than in offices; but it’s also valuable for older residents and other single-person households
- In one study of residents in a co-living site, **82%** said this sense of shared community had improved their **quality of life**¹⁸
- Shared living spaces often attract individuals from different backgrounds, fostering cultural exchange and understanding

100k
co-living units now in operation or under construction in Europe

68%
lower carbon footprint than the average UK household (up to)

79%
of tenants feel they have made a social connection with other residents

¹⁶ JLL, September 2023. ¹⁸ Savills, May 2023. ¹⁷ Folk (Earlsfield) etc. ¹⁹ Dr. Penny Clark, 2021

Bridges' co-living investments

To date, the Bridges Property Funds have invested into three co-living developments in central London, alongside our long-time partner HUB.



150 Minories, EC3

Targeting a retrofit of this redundant City office building to create high-quality living space, reducing embodied carbon and aiming for Net Zero operational carbon



Beech Street, EC2

Planning sought to repurpose a part-vacant office building to build 175 sustainable, low-carbon co-living units on a prime site at the edge of the iconic Barbican Estate



Wood Lane, W2

Redeveloping the existing site in Hammersmith, West London, to create high-quality co-living space plus specialist accommodation for vulnerable women

GET IN TOUCH!

Bridges invests exclusively in the transition to a more sustainable and inclusive economy.

The Bridges Property Funds support real estate solutions in sectors that are well-placed to benefit from this transition, including lower-cost living, healthcare and sustainable logistics.

To discuss our approach to co-living, or our sustainability-driven approach to real estate investment more broadly, please drop us a line via maggie@bridgesfundmanagement.com.

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www.bridgesfundmanagement.com/property

Cover picture shows the proposed Bridges/ HUB Wood Lane co-living development in West London