



THE EUROPEAN COLIVING BEST PRACTICE GUIDE

REPORT HIGHLIGHTS

EXECUTIVE SUMMARY

This is a summary report of The ULI and JLL *European Coliving Best Practice Guide* which is intended to be a resource for all stakeholders in the private, public and not-for-profit sectors who are interested in coliving as a real estate sector and a new way of living. The summary includes the main discussion points and conclusions from each of the guide's chapters and presents the associated key recommendations for coliving sector participants. The full report is available for ULI members on knowledge.uli.org.

The Best Practice Guide has been formulated to provide greater insight into the rapidly evolving coliving sector across Europe—and to provide an expert view on market-leading examples of best practice in the sector. It also aims to raise awareness of the benefits and opportunities coliving offers.

As more and more cities struggle to provide appropriate, affordable housing for a rapidly growing urban population, coliving offers a powerful opportunity for tailored community-centric living catered to smaller and single households, often new to the city and looking to build up a network. The existing housing stock in many cities is often not tailored to these groups and generally does little to address the social challenges that they face related to loneliness and an absence of a strong network. On an all-cost basis (including rent, bills, subscriptions, etc), coliving is often competitive with other forms of living, especially when considering the lack of upfront required investments for furnishing and deposits.

These shared living arrangements can also contribute to the wider environmental, social, and governance (ESG) agenda, as there are considerable efficiency gains to be achieved via resource and amenity-sharing models. The reuse and repurposing of disused buildings and existing assets can push these environmental achievements further.

It is important to acknowledge some of the challenges the sector faces, partly related to its longstanding history with the informal coliving structures, which have not always

provided the best solutions for residents, and the initial purpose-built coliving projects, that in practice were largely focused on small private spaces while lacking shared spaces and amenities. This has created a perception that has understandably not always been positive. For the success of this sector, it is critical that the industry learns from its past mistakes to repair the negative perceptions of past coliving developments by exchanging best practices as this guide sets out to do.

The guide is intended to be a resource for all stakeholders across the real estate industry and beyond—in the private, public, and not-for-profit sectors—who are interested in the growing coliving sector. It gives a background to the sector, raises awareness of a multitude of positive outcomes coliving can offer, discusses the barriers the sector faces and presents emerging best practices from across Europe to guide key decision makers as the sector evolves. The ULI and JLL *European Coliving Best Practice Guide* is a unique document within the industry and has drawn together insights and opinions from a range of industry experts from Europe and across the globe.

In some cases, concrete and metric-driven recommendations that are appropriate across broad and varied markets are not always possible due to the youth of the sector. The guide does, however, encapsulate the variety and diversity of what the sector does and identifies examples of emerging market leaders from across Europe.

This is not to say that a one-size-fits-all approach is where the sector needs to be going. Its strength is in its flexibility and multiplicity as it continues to find its feet as a real estate asset class. Many individuals and organisations we spoke to mention the value of a diverse coliving offer—for different target groups, at different scales, at different price points and in different locations. Local and tailored solutions to Europe's housing issues should be at the forefront of stakeholder thinking in the sector.

The ULI and JLL *European Coliving Best Practice Guide* can be navigated either in its entirety, or through the focus on particular chapters—each focusing on specific aspects of the sector's life cycle.

CHAPTER SUMMARIES AND KEY RECOMMENDATIONS



Chapters 2–5:

Introduction, Opportunities and Barriers, and Target Groups

Coliving can be considered as a new form of communal housing, where individual residents rent (on flexible lease terms) private rooms or studios within a wider unit or building, which also offers shared spaces and a level of serviced living. There are, however, numerous different forms or models of coliving, which make the sector hard to explicitly define and encapsulate in a single classification.

The coliving landscape in Europe is diverse across markets and heterogeneous across product types, coliving niches and sector crossovers. From a market perspective, the UK offers emerging maturity in Europe. The country has the largest stock (operational and pipeline)—and interest from institutional investors and market-leading operators places the UK at the forefront of the wider European (and indeed global) coliving sector. This is particularly true when it comes to policy engagement. That said, coliving is burgeoning in continental Europe as well, particularly in France, the Netherlands, Germany and Spain, where new schemes are increasingly sought, and the expansion plans of sector leaders are focused.

Despite the COVID-19 pandemic, the sector has emerged in a position of strength, with the opportunity to grow, evolve and (re)define itself, both in terms of what coliving is and what it can provide for residents, communities and cities alike. Within an industry-wide agenda focusing on ESG and decarbonising the built environment, coliving occupies a unique position by virtue of a number of characteristics, particularly on sustainable living and generating social impact.

There are several underlying demographic and economic trends support its growth, including urbanisation, decreasing household sizes and structures, the rise of the sharing economy and the prevalence of technology in everyday life. Affordability is also a central theme to support the coliving opportunity, as is the idea of combatting urban loneliness. There are several barriers to entry that are preventing developers, investors, and operators from entering the sector. These include a lack of stock, negative planning interventions and a lack of relevant operational skills.

The current understanding (and evidence) of coliving resident profiles suggest they are predominantly inhabited by young professionals and have a large international base. Coliving can, however, be an adaptable product that can cater to the demands of a range of different groups, given the overlapping but often distinct demand profiles, motivations and priorities—especially in relation to price points, amenity priorities and location preferences.

General Market Recommendations

1. **The industry should articulate both general and specific definitions for the coliving sector, accepting local interpretations and product variety.** This can help with the wider acknowledgment of the sector, the drivers for coliving, the role it plays in creating living solutions for today and into the future, and its ability to deliver social impact given its community-centric character. The definitions should be wide enough to encapsulate different types of coliving assets, including focuses on different resident groups.
2. **Industry participants should continue championing the sector and educate policymakers and the public on the sector's potential.** The coliving sector is still new and often either misunderstood or not understood at all. Those involved in the sector should keep promoting best practice within the sector and educate policy makers and the wider public about the benefits it can bring to cities and communities.

3. **Industry players need to adopt an ‘evidence-based approach’ to coliving, where the benefits of the sector are measured and communicated widely.** Data around efficiencies created, social impact, resident satisfaction and engagement, among others, should be measured and reported in order to prove the sector is meeting its defined goals.
4. **The industry should take a long-term perspective from the earliest days of planning for a new project, with all stakeholders represented.** This should include those in both public and private sectors, such as policy makers, investor(s), operator, future residents, and the wider neighbourhood. A coliving project will more likely be successful by taking into account wide perspectives and balancing competing needs. This includes meeting the requirements of planning authorities, designing and building high-quality coliving spaces, and efficiently managing assets.



Chapter 6:

A Blueprint for Embedding ESG into Coliving

Coliving can offer a solution to a range of socioeconomic challenges such as growing populations, the over crowding of cities, increasing housing unaffordability and the rise of loneliness. Housing affordability is an increasing concern across Europe. Developers of, and investors in, coliving projects that offer a balanced solution that meet the diverse needs of the population can not only tackle the shortage of affordable housing, but also improve diversity and inclusion in the sector, by catering to individuals with different backgrounds and perspectives.

When considering the environmental impact of coliving, the operational efficiencies and carbon and the embodied carbon need to be discussed. Decisions on redevelopment should always consider embodied carbon of existing assets and see renovation as an opportunity cost in the case of a complete rebuild. Where there is a need to develop new properties, the design and development process should meet ambitious sustainability standards. Coliving spaces need to provide good air quality and thermal comfort, clean water and access to natural / ambient light, among other features. To operate sustainable coliving developments, technology has a key role to play when tracking energy and data.

Sustainability and ESG Recommendations

1. **Policies and regulations should advocate for ESG practices in coliving.** Regulations that support the repurposing of redundant spaces to reduce embodied carbon emissions should be encouraged. Similarly, more pressure should be put on developers to report and provide more transparency on ESG metrics and progress.
2. **Planners, developers and investors should consider a scheme's affordability levels, providing a housing solution for a range of income levels.** Coliving has the ability to demonstrate its social value by ensuring schemes cater to individuals across the income spectrum. These should align with local policies and offer a mix of units at different price points.
3. **Reducing (and ultimately eliminating) both the embodied and operational carbon in coliving assets is imperative to meet sustainability targets.** In minimising carbon emissions from coliving developments, industry players should consider the repurposing and retrofitting of existing developments (to reduce embodied carbon), while embedding sustainability elements in the design of new build.
4. **To ensure coliving facilities are energy efficient, technology has a key role to play in monitoring the energy performance of coliving facilities and encouraging residents to achieve savings in operational carbon emissions.** Technology can provide greater transparency in monitoring various aspects within a development such as heating and cooling systems, space usage and water consumption. These can then be communicated to residents so they are aware of their consumption patterns and can manage their energy spending.
5. **Design features that enhance the wellbeing of residents should be incorporated to create sustainable value to the community.** Coliving should be designed in line with wellness-led design principles and standards that positively influence the physical and mental health of residents and contribute to overall community satisfaction and welfare.

6. **To establish social impact on a wider scale, coliving operators should create engagement opportunities with the neighbourhood.** Coliving buildings should try to give back to their local communities and ensure engagement between residents and the wider neighbourhood by allowing public access to communal areas (e.g., coworking space), providing discounts for residents at nearby businesses (e.g., F&B offers), or strategically creating opportunities for local businesses to operate within the coliving facility (e.g., a local coffee roastery operating the in-house café).



Chapter 7: Best Practice in Policy and Planning

Coliving has proven somewhat of a challenge to a planning and policy environment that is largely based on more traditional interpretations of use classes, lease structures and zoning requirements. Its position within the policy spectrum is often unclear and there are different ways it has been interpreted across countries and between cities.

There are, however, some emerging policies which are starting to define and shape the boundaries that purpose-built coliving communities must exist within. These particularly come from the UK, unsurprisingly given the more advanced stage of development of the sector in the country. There is general agreement that coliving does not necessarily need its own use class, but better guidance on how new developments can proceed is needed. The sector offers some flexibility of final physical form and operational standards, which needs to be reflected in malleable but defined policy guidance.

This guide presents a range of elements that should be included within policy guidance including room sizes, scale and nature of amenity provision, design guidance (including ESG metrics), permitted lease terms, location and connectivity requirements.

Planning and Policy Recommendations

1. **Based on national or regional frameworks, local authorities should set out planning guidance for coliving developers.** This should include preferred locations for coliving, physical features and requirements (e.g., room sizes and levels of amenity space), operational benchmarks and affordable housing contributions.
2. **Developers should consciously engage with planners, local residents and businesses during the pre-application process.** For new-build schemes it is important to create buy-in from the existing community and the planning authority through meaningful engagement and actively taking on board applicable suggestions.
3. **During consultation periods, planning officials should look to visit the growing number of best-in-class coliving schemes locally.** This is particularly pertinent as single operators develop greater scale and can showcase their buildings in other locations. This can help bring to life the coliving concept and dispel negative perceptions of the sector.
4. **Available lease terms should promote flexibility for the resident.** Existing tenancy regulations are sometimes too rigid for potential 'colivers', and the demand for flexible living arrangements should be further included within lease options. This can include medium-length residential leases, specifically targeted at furnished flats (including coliving).
5. **Developers should include the longer-term operator and investor perspective when planning and designing for a new project and ensure that these actors are engaged throughout the planning process.** As a new, varied and operationally heavy sector, long-term owners and operators of coliving projects should be involved in early discussion on the design and development of the physical building, as this can also allow planners to visualise and interrogate how the scheme will work in reality. Checks and balances can be put in place to ensure proposals are followed through with.



Chapter 8: Best Practice in Design and Development

When designing and developing best-in-class coliving schemes, two fundamental requirements emerge: an understanding of the target audience and their lifestyle preferences, and greater collaboration in the earliest stages of the project between designers, developers and operators to translate and articulate these needs and demands. The findings prove essential as they impact various characteristics such as choice of location, scale of the development, ratios of common to private space and amenity provision.

In terms of location, closeness to public transit and proximity to employment hubs both emerge as key considerations. Mixed-use assets which offer residents a chance to engage with external consumers of the space (e.g., through coworking facilities) and the wider neighbourhood (e.g., through engagement events such as pop-ups) are seen as a big growth opportunity for the sector to fulfil its goal of fostering collaboration and the exchange of knowledge, combating loneliness and positively impacting communities. For this, spaces developed within coliving need to remain flexible and multi-functional. While doing so however, private spaces need to be designed to ensure privacy and comfort are maintained.

Design and Development Recommendations

1. **Developers should define and understand their target residents when planning, developing and designing coliving schemes.** To meet customer expectations and continue to evolve their product, more insight is needed into target resident needs and their expected future behaviour. This will impact decisions made such as a coliving development's location, amenity provision and social space requirements.
2. **Coliving schemes need to exist in well-connected locations, offering access to public transport and alternative modes of transport.** Developers creating coliving schemes should assess connectivity levels around the facility, to ensure residents have access to public transport. Alternatively, other means of transport such as bikes, scooters and ride sharing options, should be considered to facilitate transportation.
3. **While designing for social interaction is key, private studios should be thoughtfully and efficiently designed for comfort.** Residents will balance private space within their studio with access to common areas and services. Studios should be appropriately sized for the length/nature of occupation and number of inhabitants, and include essential items for daily use, such as storage and kitchenettes.



Chapter 9: Best Practice in Operations and Technology

The effectiveness and quality of property management processes are essential to the success of a scheme. These processes govern various aspects of operations such as the management of the operator-landlord relationship (including lease structures), optimisation of operations through tech-enabled facility management and ensuring resident-facing operations and services are run smoothly and effectively.

While master leases are currently the standard model for owner and operator agreements in the sector, management agreements are usually preferred by the operators—so upside can be shared and downside risks minimised—while leasing buildings can allow smaller coliving operators to scale more quickly.

Post-pandemic, greater emphasis is now placed on how spaces are managed and used, and to what extent residents are satisfied with the day-to-day operations and amenities / services provided. The level of operational intensity this dictates lends itself well to adopting and deploying technologies. These, in turn, offer efficiencies in the day-to-day management of the facility and tenant engagement, particularly when it comes to what amenities and services are more popular and useful.

Operations and Technology Recommendations

1. **Coliving buildings should have dedicated community managers that facilitate events and activities.** Coliving communities function best when the community elements are well activated, meaning community managers are

essential staff members. The role includes organising formal events, empowering residents to come up with and execute on their own ideas for using spaces and taking on board feedback for how to improve the day-to-day running of the scheme.

2. **Technology platforms should be used to engage with residents, measure satisfaction and ensure that coliving facilities are managed and operated more efficiently and sustainably.** It is best practice to include a ‘one-stop shop’ residents app which allows for interaction with property management. A range of solutions is also available for operators and landlords of coliving facilities to invest in, which can cut carbon emissions, reduce waste and assist in effective space management.



Chapter 10:

Best Practice in Finance and Investment

Coliving's nascency presents challenges around financing of projects, investment in the sector and how capital engages with the real estate and operational elements of the assets. The chapter looks at how capital backing operators has traditionally only been within the remit of venture capital funds, but increasingly operators are being targeted by institutional capital—particularly those looking to deploy significant equity into buying and managing coliving real estate. Working hand in hand with operators brings numerous benefits to real estate expansion strategies and reflects the growth of more mature living assets classes, such as student housing and multifamily.

The increasing transparency around investment metrics in the sector is also giving investors and lenders more confidence in coliving as an investible asset class. Lastly, we present key investment considerations to help further market understanding. The breadth and variety of coliving models and scales are likely to mean each scheme will have different income, cost and valuation profiles.

Finance and Investment Recommendations

1. **Market players should increase the transparency of coliving's financial metrics and operational performance, where possible, and encourage the sharing of insights.** The sector is new and still somewhat in price discovery mode, where investors are still understanding where to value coliving compared to other adjacent sectors. Greater visibility of investment risk-return data and operational metrics would be valuable to support further growth of the sector and add investor interest.
2. **Investors in the sector should work with one or multiple coliving operators to develop the appropriate management concepts and build suitable assets.** There is significant equity investment targeting the sector, but with limited opportunities and few established operators, finding the right property manager can be difficult. Coliving assets will be better designed and operated if an operator is part of the conversation from the start.
3. **A variety of investment strategies should be promoted to the sector to accelerate its growth.** This relates to developing and investing in the assets themselves, as well as investment into operating companies. With the sector at a nascent stage, it should try to create momentum and share learnings as expertise grows.

ABOUT ULI

The Urban Land Institute is a global, member-driven organisation comprising more than 46,000 real estate and urban development professionals dedicated to advancing the Institute's mission of shaping the future of the built environment for transformative impact in communities worldwide.

ULI's interdisciplinary membership represents all aspects of the industry, including developers, property owners, investors, architects, urban planners, public officials, real estate brokers, appraisers, attorneys, engineers, financiers, and academics.

Established in 1936, the Institute has a presence in the Americas, Europe, and Asia Pacific regions, with members in 80 countries. ULI has been active in Europe since the early 1990s and today we have almost 5,000 members and 15 national councils.

The extraordinary impact that ULI makes on land use decision making is based on its members sharing expertise on a variety of factors affecting the built environment, including urbanisation, demographic and population changes, new economic drivers, technology advancements, and environmental concerns. Drawing on the work of its members, the Institute recognises and shares best practices in urban design and development for the benefit of communities around the globe.

ABOUT JLL

JLL (NYSE: JLL) is a leading professional services firm that specializes in real estate and investment management. JLL shapes the future of real estate for a better world by using the most advanced technology to create rewarding opportunities, amazing spaces and sustainable real estate solutions for our clients, our people and our communities. JLL is a Fortune 500 company with annual revenue of \$19.4 billion, operations in over 80 countries and a global workforce of more than 102,000 as of June 30, 2022. JLL is the brand name, and a registered trademark, of Jones Lang LaSalle Incorporated. For further information, visit jll.com.

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