

The future of co-living in India

Appealing | Acceptable | Effective

Colliers



Foreword



Ramesh Nair

Chief Executive Officer | India &
Managing Director, Market Development | Asia

Co-living in its various modern configurations has been accepted as a highly appealing, acceptable and highly effective solution to the high prices of real estate and

increasingly solitary lifestyle in India. Nearly 10 million youth join the workforce every year. The young population who migrates to urban centers form a great niche in the co-living market. With the

ability to adapt to new paradigms of thinking, the sector has bounced back, offering a myriad of flexible solutions in highly desirable markets. The industry is going through a phase of re-consolidation, the result of which includes growth in not just the metro and tier-I cities, but the tier-II urban centers as well. The growing millennial population with higher disposable incomes and the desire for upscale community living serve as the key demand drivers. This study highlights the potential growth of the organized co-living sector that is gradually filling the gaps with improved product mixes.



Subhankar Mitra

Managing Director Advisory Services | India

During the period of 2015 - 2019, Student Housing and Co-Living witnessed exponential growth resulting in sharp increase in the number of operators and investments. However, the pandemic marred the growth story of co-living temporarily, resulting in some players exiting the business thereby creating opportunities for acquisition and expansion for the others.

With the pandemic almost behind us, the segment is ready to enter a new phase of growth driven by factors such as pain

point assessment and product recalibration resulting in provision of the “Real & Right Value” for the consumers. This paper provides insights of the shared accommodation industry from the perspective of changing needs of the users and evolution of the sector towards greater maturity.



Contents

1	Co-living in India	04
2	Demand drivers	05
3	Gains to various stake holders	06
4	Organised co-living in India	07
5	Market snapshot	08
6	The opportunity in student housing	09
7	The challenges	10
8	Impact of COVID and outlook	11

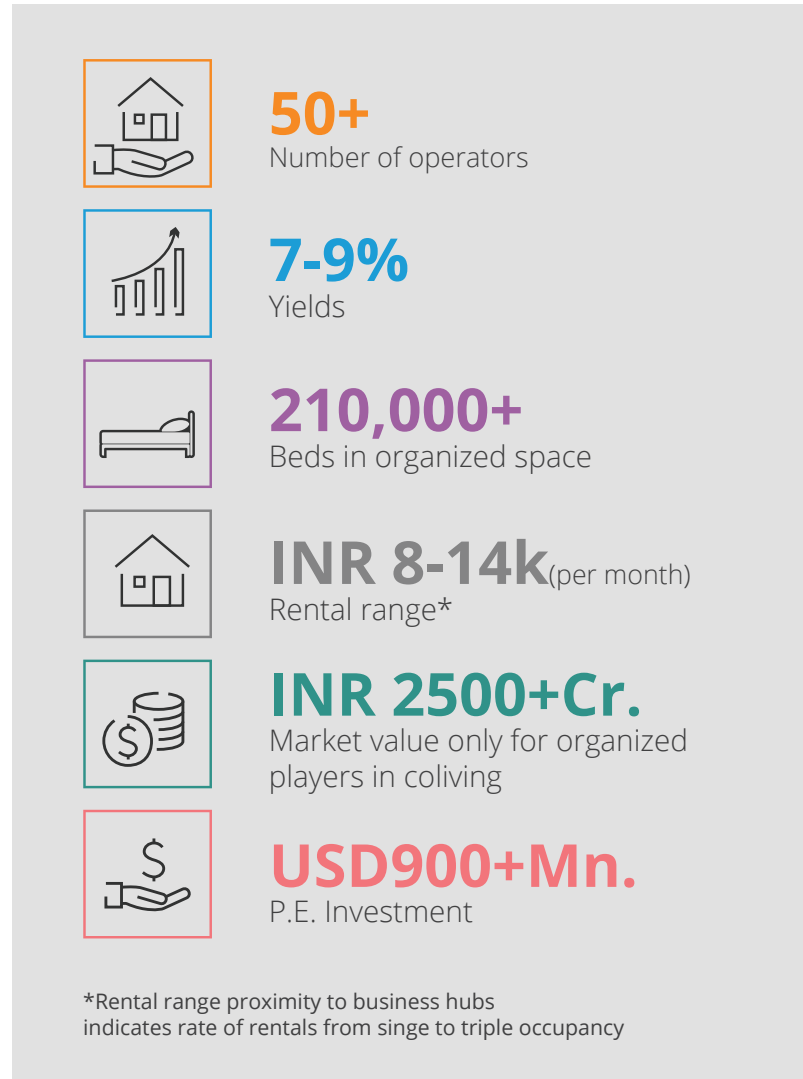
Co-living in India

While the concept and trend of co-living dates back to the 1970's, it's only around in mid of second decade of 21st century that modern co-living took shape as a concept and was seen as an opportunity in India. In developed economies such as the United Kingdom and the United States, young professionals as well as students have preferred organized shared spaces over traditional rental accommodations owing to the affordability and convenience of shared, upscale amenities these options offer. Needless to say that the flexibility of the model renders Co- living appealing to the youth across the globe.

Likewise, in India, where the millennial population is constantly growing and has joined the workforce with high paying jobs, quality accommodation is a priority. However, these millennials have the option of either chossing whole space at higher cost or opting for shared spaces at affordable rentals. Co-living companies have sensed this demand for shared rental accommodation and are catering to the same by creating superior options in India's leading cities.

Moreover, with India's ever-growing population which has reached over 1.3 billion, a sizable share of which belongs to millennial population Thus, making it a lucrative market segment.

(Source: <https://www.unfpa.org/data/IN>).



According to the 2011 Census, the youth of India have a percentage share of about 28% to the total population of India and accounts for 34% of national income.

As per our estimates, around 9.5 million students migrated within the country for the purpose of higher education in 2019.

The influx of students to major cities such as Delhi, Noida, Hyderabad, Pune, Bengaluru, Chennai, Indore, Kota and Dehradun is attributable to the concentration of private and public universities across these major cities.

India's student population is growing at a CAGR of 9.2% and the current number of beds supplied across the country is estimated to be 6.9 million. This falls sharply under the demand for over 9.5 million students who are pursuing higher studies and require housing options. This situation hence presents a promising opportunity in the student housing segment as well.

Though the pandemic marred the growth story of the co-living sector in 2020, it has already witnessed sharp recovery in 2021. All of the above factors combined, will ensure that co-living has tremendous potential for growth in the years to come.

(Source - * AISHE annual report 2018-19

Demand drivers



While there are various factors that contribute to the demand for co-living spaces, factors such as increasing workforce, migration to urban centers and dearth of good bachelor living options serve as major demand drivers for the organized modern co-living model.

Nearly 10 million youth join the workforce every year and this further results in an increased demand for affordable living options near the Central Business Districts (CBDs). Furthermore, with migration in India touching the 9 million mark during 2011-2016, the market has seen a consequent increase in requirement of residential stock in urban centers across the country.

The traditional accommodation option such as PGs, private hostels fail to meet the needs and aspirations of the millennials. The traditional dwelling options lack amenities, have rigid rental terms and are mostly unmanaged. Moreover, they remain the hassle of money deposits as well as landlord behavior.

These inefficiencies and challenges are resulting in fast growing demand for the organized co-living sector. In terms of demand from the student population, the increase in the number of private universities coupled with need for higher education across the country has augmented student enrolments and in turn, created a healthy demand for quality student housing. It is to be noted that the current inventory in the organized space falls short of the demand in the market.

Source - *Future of Jobs in India A 2022 perspective, FICCI-NASSCOM report
**<https://mohua.gov.in/cms/urban-growth.php>.
^AISHE annual report 2018-19



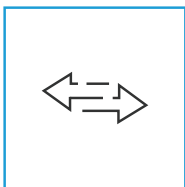
Workforce trends

Workforce population
473 million (2018)
600 million (2022)*



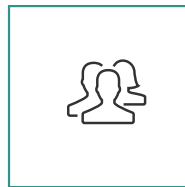
Inefficient unorganised sector

Demand supply gap
and poor facilities



Migration towards urban centers

India's urbanization**
growth rate - 3.35%



Student population

College going
population^
38 million

Gains to various stake holders



Developers

- Can enter by either “own and manage” or “own and lease” strategy.
- Create high yielding residential assets for the enterprise.
- Option to diversify portfolio.



Higher Educational Institutions (HEIs)

- HEIs would have the flexibility to increase the intake of students without creating proportionate student accommodation. Moreover, lower will be the hassle of maintenance.
- As model evolves, HEIs would have the option to pass on the maintenance to some of the co-living operators.



Students

- Various options of quality living.
- Better and secure living option.
- Fair rental and deposit terms.
- Opportunity to enjoy modern amenities such as Gym, Lounge areas, etc. at a very affordable rentals.
- Hassle free life via use of technology for services such as rent payments and raising maintenance demands.

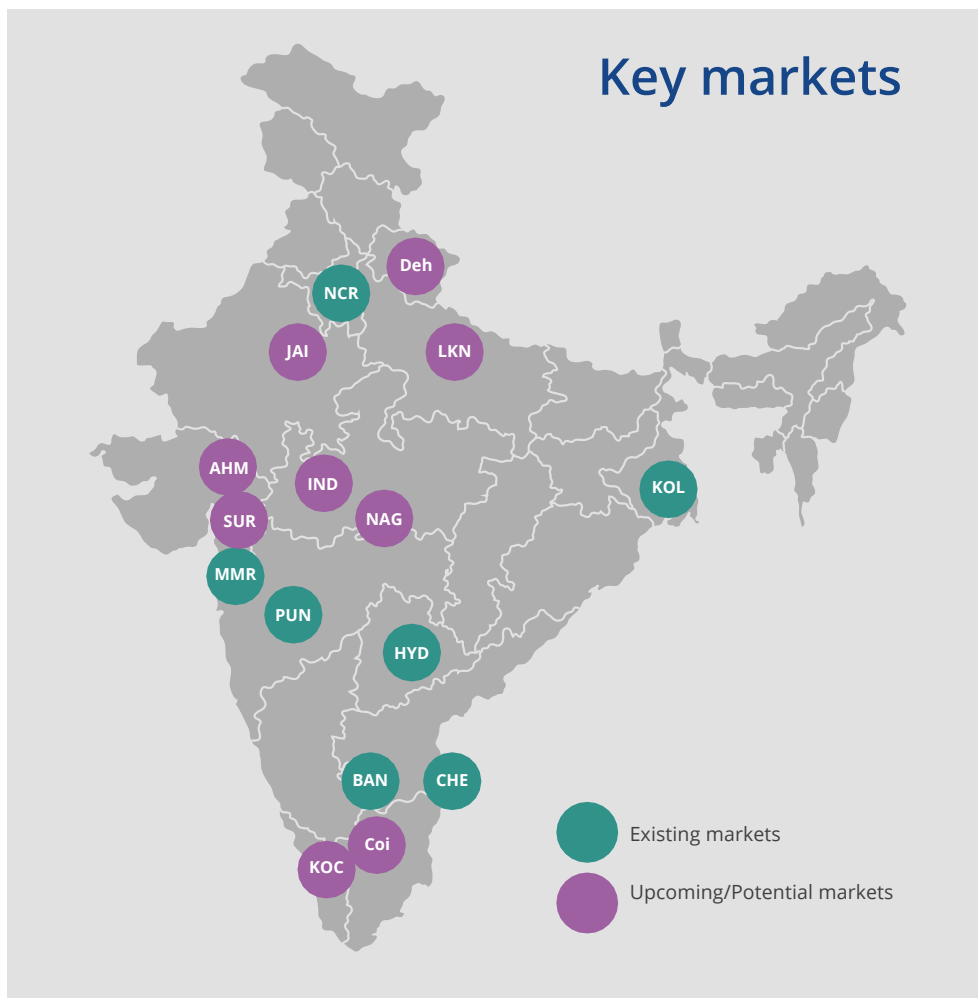


Property Owners

- Continuity in rent from the property for the entire period of 12 months.
- Property remains well maintained without additional expenditure.
- Dealing with one corporate entity instead of multiple tenants.

Organised co-living in India

Organized Co-living is concentrated largely in metro and tier I cities of India with expansion being witnessed across tier II cities as well.



Key players

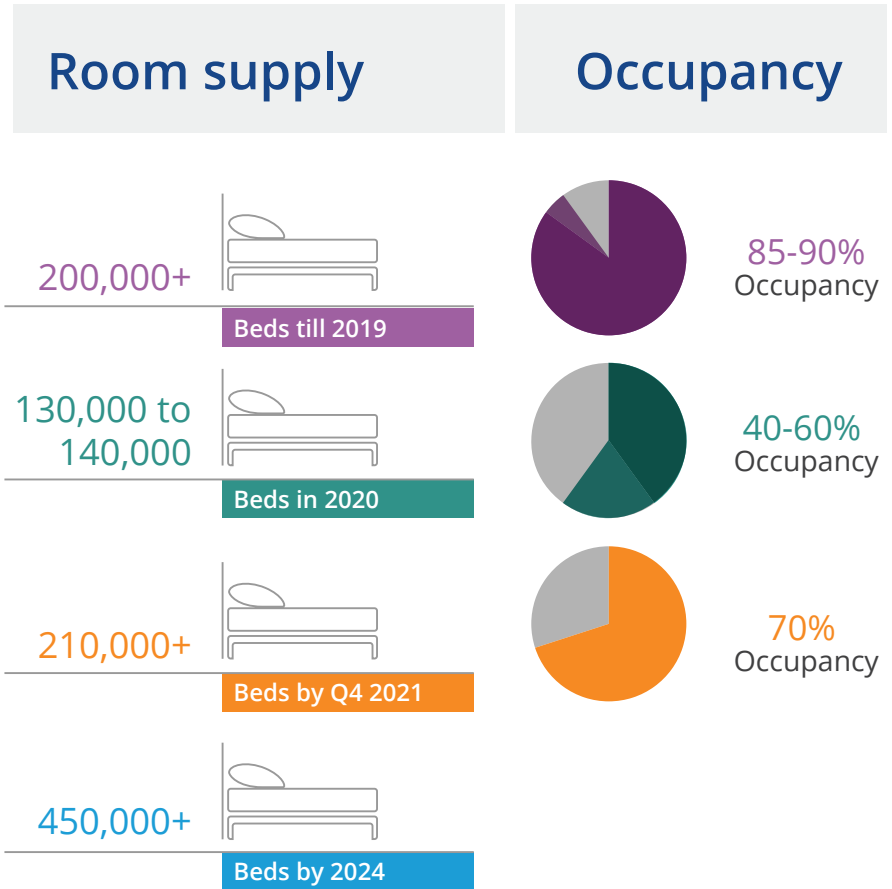
Key player names:	Started operations in:	Number of cities operating in:	Present in:
Zolo stays	2015	10	NCR, Pune, Bengaluru, Mumbai, Hyderabad, Chennai
Colive	2017	4	Bengaluru, Chennai, Pune, Hyderabad
Oyo life	2018	9	NCR, Pune, Bengaluru, Mumbai, Hyderabad, Chennai
Stanza living	2017	22	NCR, Pune, Bengaluru, Mumbai, Hyderabad, Chennai
Housr	2018	3	NCR, Hyderabad, Pune
Abuzz oxford caps	2017	4	Mumbai, Shimla, Dehradun, Delhi
Nestaway	2015	15	NCR, Pune, Navi Mumbai, Mysore, Chennai, Dehradun, Kota, Bhopal, Lucknow, Vijaywada, Agra



Market snapshot

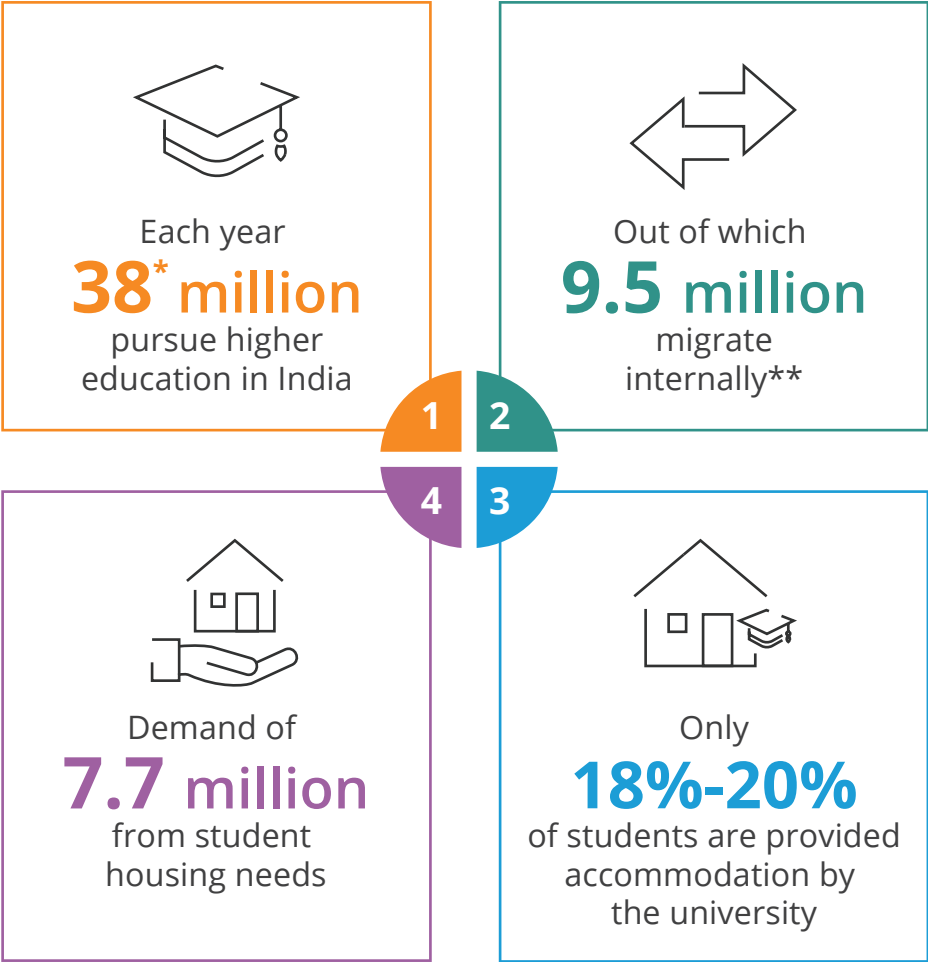
Current room rentals INR/month	Single occupancy	Double occupancy	Triple occupancy
Bangalore	15,500	9,000	7,500
Chennai	13,500	8,500	7,500
Delhi	16,500	12,000	9,000
Hyderabad	16,000	8,500	7,750
Mumbai	24,000	16,000	13,000
Pune	15,000	7,000	6,000

10-25%
Dip in rentals post covid



Source- Colliers research

The opportunity in student housing



Source: *AISHE
** assumption that 25% of the students are migrants

The challenges



Co-living in India is still in its nascent stage and the operators are constantly updating their metrics. The lucrativeness of a higher yield compared to a traditionally rented house has resulted in an influx of new players every year where this trend is expected to continue for next few years.

Owing to this, the product offering is constantly evolving as new entrants are experimenting with specifications, amenities and services. As a result, the product and the pricing are likely to remain as “work in progress” for next few years. The dynamic nature of the sector has made it complex for the investors as well, to evaluate the operators and arrive at a stabilized funding matrix. The Covid-19 pandemic has further pushed the operators back to the drawing boards to reinvent their strategy to provide an attractive and safe housing solution.

Understanding the pain points through target market research will be key to offering the “Real & Right Value” to the end users.

The differentiator



A typical co-living product usually focuses on providing a set of amenities relevant to a specific occupier set. Therefore, with increasing understanding of the local dynamics and requirements, some of the differentiators that are expected to be witnessed in the co-living space in coming years are as follows:

- **Subscription Model:** Subscribe with one brand and stay at any property inter-city or intra-city
- **Ready to move in:** Move in to a fully furnished space leaving behind all the hassles of shifting
- **Bigger scale & better amenities:** Future housing projects likely to have Co-living as a component resulting in wider range of amenities
- **Events & community building:** Focus to shift towards strong community building events just like co-working. Likely to result in retention.

Impact of COVID and outlook

The concept of “Shared Economy” got severely tested during the peak of the pandemic. Factors such as uncertain economic conditions resulting in loss of jobs, work from home and the shift of migrant population to their respective hometowns brought the evolving Co-Living sector to an immediate halt.

Migration of student population & young millennials to urban centers stands as the largest contributor to the demand for Co-Living spaces. India typically witnessed an absorption of around 35-40 million sft of Grade-A office space every year till 2019. This dipped by approximately 10-15% in the year 2020 due to the pandemic and has stayed low for most of 2021. The unemployment rate also rose to over 11% during this period.

Between December 2020 and March 2021, the occupancy in most Co-living facilities crossed the 45 – 50% mark as the market improved. However, the second wave proved as a dampener from Q2 onwards.

(source <https://unemploymentinindia.cmie.com/>)

With the situation improving rapidly, the sector has recovered substantially and is looking more optimistic. The primary contributor to the recovery is the rate of vaccination which has crossed the 131 Cr. mark wherein 34 Cr. people have been fully vaccinated. The unemployment rate is down to 7% in November 2021, a gradual dip from the 11.84% in May 2021.

Most of the organizations are recalling their employees back to the office wherein a substantial number of them have already achieved the pre pandemic routine. Also, amidst the pandemic, hiring by IT companies has gathered pace followed by robust performance of the sector which will only add on to the demand for the Co-Living in coming quarters.

Co-Living has a strong long-term potential in the metro cities. However, the current market scenario has presented an opportunity to consolidate and reconfigure the market. While many players have exited the business as they could not sustain the financial stress of the previous year, others have capitalized on the opportunity to strengthen their position by strategic acquisitions and expansion in prime locations in metro cities.

*Note: *COVID vaccination as on 10th December 2021.*



Contact our experts:

Ramesh Nair

Chief Executive Officer | India &
Managing Director, Market Development | Asia
ramesh.nairceo@colliers.com

Subhankar Mitra

Managing Director
Advisory Services | India
subhankar.mitra@colliers.com

Swapnil Anil

Director,
Advisory Services | Mumbai
swapnil.anil@colliers.com

Umakanth Y

Director,
Advisory Services | Bengaluru
umakanth.y@colliers.com

Authors:

Ashutosh Kashyap

Director,
Advisory Services | Gurugram
ashutosh.kashyap@colliers.com

Ankit Sharma

General Manager
Advisory Services | Gurugram
ankitsharma.a@colliers.com

Contributor:

Sahil Kulshreshtha

Associate
Advisory Services | Gurugram
sahil.kulshreshtha@colliers.com



About Colliers International

Colliers (NASDAQ, TSX: CIGI) is a leading diversified professional services and investment management company. With operations in 66 countries, our more than 15,000 enterprising professionals work collaboratively to provide expert advice to real estate occupiers, owners and investors. For more than 25 years, our experienced leadership with significant insider ownership has delivered compound annual investment returns of almost 20% for shareholders. With annualized revenues of \$3.3 billion (\$3.6 billion including affiliates) and \$45 billion of assets under management, we maximize the potential of property and accelerate the success of our clients and our people. Learn more at corporate.colliers.com, Twitter or LinkedIn

Copyright © 2021 Colliers International

This document/email has been prepared by Colliers for advertising and general information only. Colliers makes no guarantees, representations or warranties of any kind, expressed or implied, regarding the information including, but not limited to, warranties of content, accuracy and reliability. Any interested party should undertake their own inquiries as to the accuracy of the information. Colliers excludes unequivocally all inferred or implied terms, conditions and warranties arising out of this document and excludes all liability for loss and damages arising there from. This publication is the copyrighted property of Colliers and /or its licensor(s). © 2021. All rights reserved. This communication is not intended to cause or induce breach of an existing listing agreement.