SEE A BRIGHTER WAY

Strategic Living Advisory

Co-living Need and Opportunity Appraisal

Summerland Street, Exeter

On behalf of McLaren (Exeter) Limited

Contents

Executive Summary

- Over the past decade, the expansion of living as an institutional investment sector has broadened worldwide. The sector's profile and its share of capital flows globally have increased from 15% in 2010 to 32% in 2022. Living is now the largest property investment sector in the world and, within this expansion, Co-living is a growing sub-sector.
- Taking a ten-year view, the number of those privately renting has increased significantly (from 3.8 million households in 2011-12 to 4.6 million in 2021-22) due to several continuing societal shifts including the unaffordability of home ownership and increased urbanisation. Indeed, the prevalence of the Private Rented Sector in Exeter as an important housing tenure , housing 29% of households within a 2km radius of the subject site, illustrates this demand locally.
- Yet despite growing rental demand, of concern is the reduction in proportion of the Private Rented Sector within English housing provision generally since 2016-17. Since 2017-18, landlords not owning properties in companies have faced higher tax obligations from their investments and new supply to the sector has fallen back. This gap has been filled, in part, by the rise of larger scale capital in terms of Build To Rent, Purpose Built Student Accommodation and Co-living who seek to develop new build, high quality rental homes for long term investment. Exeter has seen some investment in this area, but there is capacity for more.
- The subject site proposes a 167 unit Co-Living development over seven stories with 741sqm of communal space internally plus a roof terrace. Co-living is a rapidly growing and evolving sub-sector of the wider Living sector in the UK which represents a unique and purpose-built solution to people's modern rental needs. It provides a customer-focused modern solution for the significant proportion of the population currently living in shared environments in traditional HMOs.
- In the past 5 years, Co-living has grown rapidly across Europe and the UK. Across Europe, the number of operational beds now stands at 26,400, with a further 74,600 units in the pipeline, an increase of over 180% over the last 2 years. From a market perspective, the UK offers comparatively emerging maturity compared to Europe. Growth can be largely attributed to rapid urbanisation, the strength of the rental sector and affordability pressures for tenants. Co-living provides a solution to these issues with efficient, professionally managed units at market-level rents that are inclusive of all bills and utilities. The subject development would bring modern Co-Living to Exeter.
- Young professionals are one of the key target demographics for Co-living developments, areas with a high proportion of the Rising Prosperity population will be of paramount importance to the success of this accommodation offering. The high percentage of this demographic in both a 1km and 2km radius from the site demonstrates the strength of Exeter as a location for Co-living. This supports the investment case for the proposed development.
- Looking more practically, Exeter is a desirable residential location due to its position within the South West of England's economic framework. The subject site on Summerland Street is located in a convenient position for access to the city and in the heart of the wider area of local amenity offered within Exeter City Centre. With the city centre a short walk away and strong transport connections to both the city centre and to the wider South West region, this site presents an attractive proposition for a Co-living scheme. Residents at the scheme would be able to circumnavigate the locality without the need of a car.
- In terms of housing supply more broadly, Exeter is facing increased pressure on its housing market due to both increasing population growth and an structural undersupply of housing. The population in Exeter is forecast to continue to grow at rates above the UK average. This increase in population is met with a continued undersupply of homes in the city with the current shortfall of in excess of 3,000 homes expected to continue for the next 5 years.

- This increased pressure on the housing market demonstrates a need for an increase and diversification of housing in the city. A Co-living development will contribute to both of these and will help Exeter begin to address the housing needs within the city. The subject scheme would be specifically targeted to deliver new build and high quality rental accommodation but at a more affordable price point to modern Build To Rent product being considered for the City.
- The single Build To Rent development and single Co-Living development in the pipeline are not sufficient to meet Exeter's current undersupply of housing, and supply of new build, quality rental accommodation in particular. This lack of professionally manged rental products in the pipeline presents an opportunity for a Co-living development to provide this for local renters.
- Exeter's rental market comprises of 32% couples and sharers and 18% singles, which are considered to be the target market for a Co-living development (particularly the sharers and singles within this rental population). This demonstrates a large pool of potential tenants who would benefit from a Co-living scheme. Further, 36% of renters are aged 20-29 and are primarily employed in the public and professional services sector. These are both target demographic groups for a Co-living development as they are attracted to high quality accommodation close to their places of work.
- Currently, 73% of tenants are spending over 20% of their income on rent, with the average tenant in the City spending ~26% of income. However, critically, 36% of renters spend over 30% of their income on rent which demonstrates the importance of continuing to look to reduce unaffordability of a substantial amount of the current rental accommodation in Exeter. This highlights the need for a relatively affordable rental product such as co-living.
- The general demographics for Exeter and the area surrounding the subject site are supportive of Co-living with both a high student and young professional population.
- The large student population has not translated to a high student retention rate for Exeter, which is largely attributed to both a lack of jobs, a lack of suitable accommodation and unaffordability of housing. A Co-living development would provide both a unique housing option for graduates alongside addressing the issue of unaffordability. With Co-living providing the natural next step for graduates in terms of accommodation, the provision of a such a development is likely to be a key factor in boosting Exeter's graduate retention rates. Furthermore, a Co-Living development will ultimately increase the number of different price point options for renters promoting greater choice in the market place.
- Overall, due to the strong position of the subject site and the suitable demographic, our analysis is supportive of Co-living within Exeter and more specifically at the subject site. Further, we believe that Exeter is in need of a professionally rented product such as Co-living to help address its issues with undersupply of housing and unaffordability of current housing options.

1. Co-Living: Evolution of the Housing Market

1.1 Introduction

The UK's housing market has evolved significantly over the last decade, with the Private Rented Sector ("PRS") becoming increasingly prominent. An alignment of market factors, shortfalls in housing supply and affordability, has resulted in growing investment into the PRS in various forms.

The PRS is seen as an increasingly attractive asset class over more traditional property investment sectors such as offices and retail. The sector has been given political backing, with the Government's Housing White Paper recognising the role that Build to Rent ('BTR') can play to help alleviate the current UK housing crisis, both in terms of quantity and quality. The PRS now accounts for around 20% of households, compared to 10% in the 2000s. Despite this increasing demand for PRS accommodation, most households are currently accommodated in housing which was originally intended for sale into the owner-occupier market. The supply to the PRS has almost entirely been brought about by individuals acting as Buy-to-Let landlords.

This interest has translated into UK living investment exceeding over £10bn in Q3 2022. This has been shared amongst the subsectors of the PRS including Build to Rent, Purpose Build Student Accommodation and Co-living (collectively the 'Living Sector').

Within this framework, this report specifically addresses Co-Living as a sub-sector within the Living Sectors and analyses what this growing type of accommodation would bring to Exeter.

1.2 From renting to owning to renting

Numerous legislative changes over the past century have altered the UK's attitude towards privately renting. Its importance within the tenure profile of the UK has changed too, with the private rental sector amounting to a high of 77% of all households prior to the First World War and a low of just 9% of households in 1988. Today it accounts for nearly 20% of households in England, demonstrating how the popularity of the tenure has been constantly changing over the years.

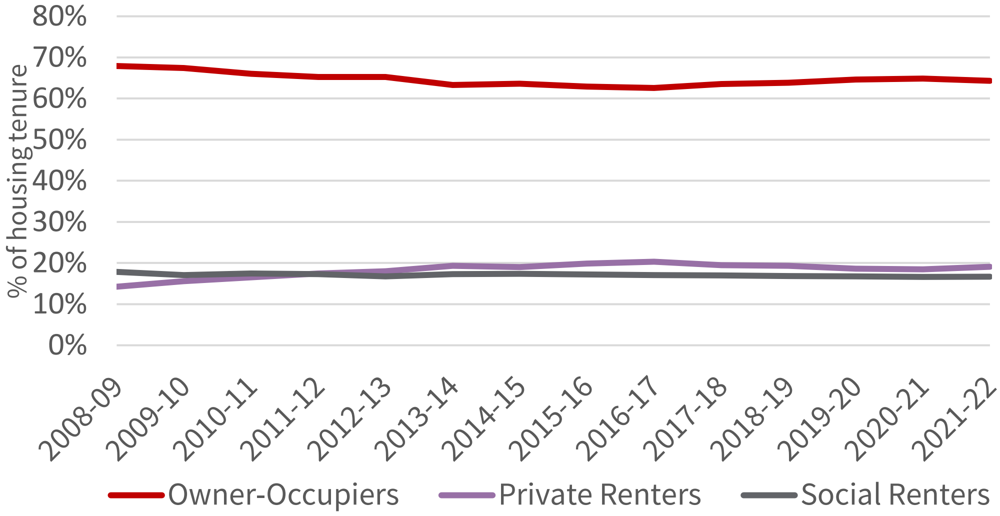
The direct correlation between demand and rent levels, alongside an underperforming housebuilding industry, has seen rents increase at a faster rate than household incomes. Rental caps put in place during the First World War were meant to prevent spiralling rental costs, but also restricted income streams for institutional landlords, leading to a decrease in inward-investment to maintain their stock. The standard of rental properties fell dramatically as a consequence of this, with many schemes becoming derelict and being negatively labelled as 'slum housing'.

As a direct result, attitudes changed towards homeownership. Owner occupation quite quickly became the largest tenure within the UK, increasing from a third of households in the 1950s to two thirds by the late 1980s. This growth in homeownership and the ever-diminishing number of homes available to let created a housing crisis. The 1988 Housing Act, which introduced Assured Shorthold Tenancies as well as the deregulation of secure tenancies, allowed individuals to become landlords.

This Act revolutionised the private rental sector, which has had both positive and negative consequences. It was hoped that the deregulation of the rental sector would allow it to share similar attributes to a free market in terms of demand and housing delivery. The emergence of buy-to-let (BTL) investors alongside aspiring homeowners increased competition for available units, whereas the privatisation of housebuilding saw the number of homes being built diminish due to the cyclical nature of the industry and illiquidity of housebuilding.

Figure 1.1 shows the recent tenure profile in England since the GFC.

Figure 1.1 **English Housing Survey Tenure Analysis 2008-09 to 2021-22**

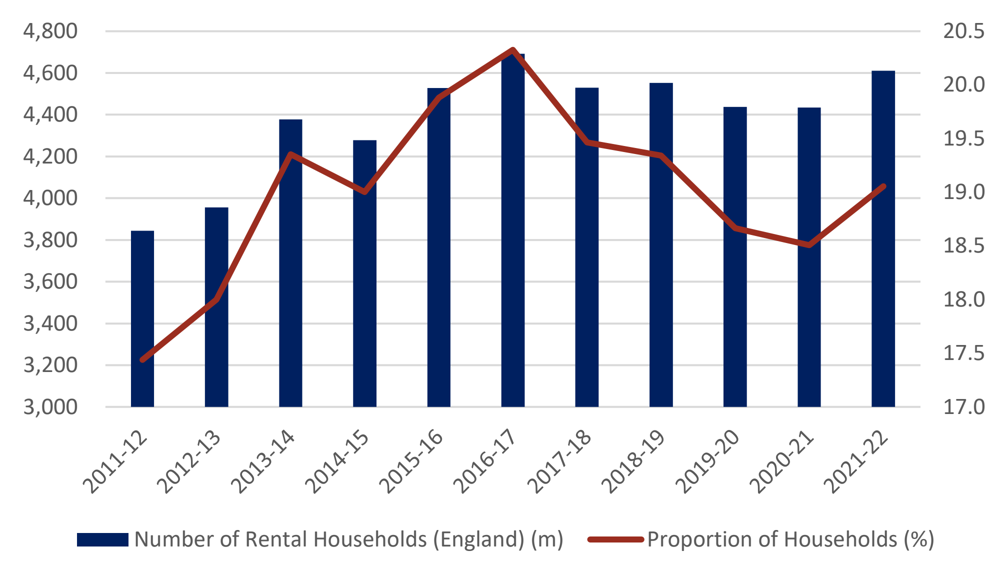


Source: JLL, EHS 2021-22

Taking a ten-year view, the number of those privately renting has increased significantly (from 3.808 million households in 2011-12 to 4.611 million in 2021-22) due to several continuing societal shifts, which are explored further within subsequent sections. The combination of unaffordability of home ownership attributed to supply issues, alongside an increase in demand for housing due to urbanisation, has seen the growth of renting become a necessity. Alongside those who have no choice but to rent, there is an ever-increasing proportion of society who are making an active choice to rent. The primary drivers of this are the flexibility that it offers, with home ownership viewed as a 'tie' to a location, alongside instant access to a lifestyle that would take years to achieve through saving for a house deposit.

According to the latest English Housing Survey (2021-22), the PRS accounts for 19.1% of all English Homes, down from a proportional high of 20.3% in 2016-17 and notably higher than the 17.4% in 2011-12. **Figure 1.2** illustrates the combined data of changes to the number of rental households in England with the proportion of the PRS against other housing tenures (social housing and owner-occupation).

Figure 1.2 **Number of rental households in England**



Despite the underlying factors driving rental demand across England (and indeed across the UK), the analysis above also demonstrates the difficulty the sector is facing to grow supply to meet ongoing and future demand. The reduction in proportion of the PRS since 2016-17 is worthy of note, especially so given the timeframe closely correlates with the impact of taxation rules governing individual buy-to-let investors – which were announced in July 2016 and came into force in the 2017-18 tax year. By tapering down the ability to deduct mortgage interest from rental income received over a four-year period, landlords not owning properties in companies have faced higher tax obligations from their investments. Many have continued to hold investments but the trendlines above show that progress in supply to the sector and therefore new investment has reduced. The gap has been filled, in part, by the rise of larger scale capital in terms of BTR, PBSA and Co-living, but, as is demonstrated below, it has fuelled rental growth and as shown above has kept supply to the PRS pinned back.

A key element underpinning the case for larger-scale residential investment in new build, high quality rental homes has been, and will likely continue to be, the reduced level of supply arising from individual buy-to-let investors. The increasing importance of sustainability and need for higher quality over and above traditional rental stock across the country has become increasingly obvious.

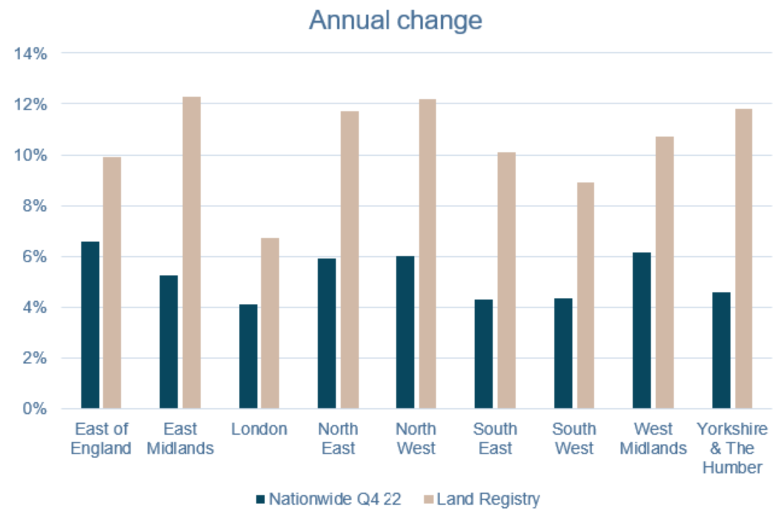
1.3 Affordability Pressures

Housing affordability issues has been one of the main drivers behind the doubling in the proportion of private rental homes from around 10.0% of all UK households in 2000 to 19.1% of households in 2021-22 (English Housing Survey 2021-22). The increased volume of aspiring purchasers (initially BTL investors and owner/occupiers but more latterly owner/occupiers with or without the benefit of the Government's Help to Buy scheme which has now closed) in a housing market suffering with supply issues, has underpinned strong price growth and forced more households into rental accommodation because they cannot afford to purchase themselves.

The impact of the global pandemic on the housing market has also been highly significant, with a government incentivised reduction in stamp duty, lowered interest rates and available lending fuelling above trend house price growth across the country. **Figure 1.3** illustrates house prices changes over the 12 months to the end of December 2022 with additional analysis for the UK over a 1 year, pre-pandemic and 10 year horizon showing that prices have risen well in excess of inflation over the same time periods. **Figure 1.4** shows that prices are starting to cool presently, however, in line with JLL's most recent house price forecast for 2023 to 2027, it is unlikely that price rises experienced in recent years will be reversed (see **Figure 1.5**).

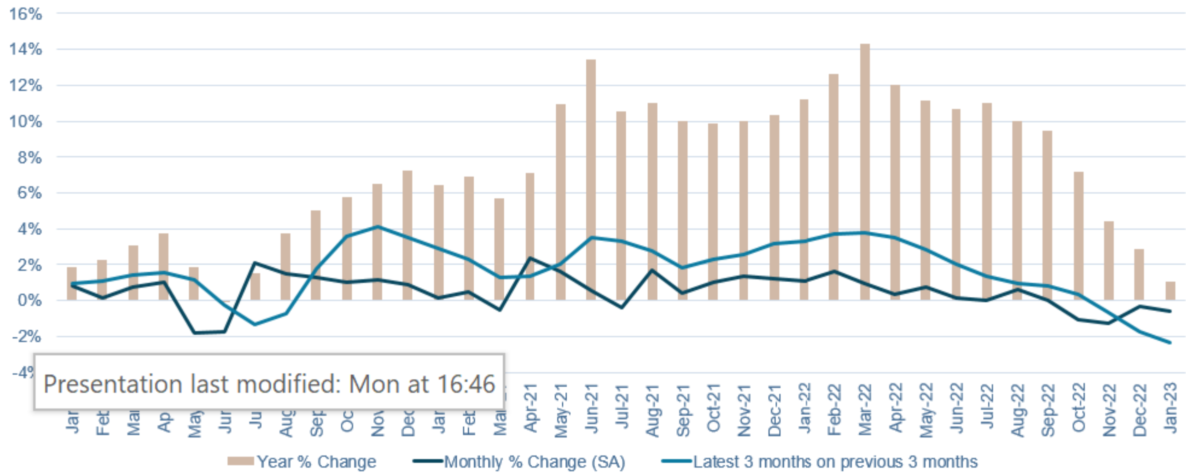
Figure 1.3 **House price inflation 2022 and price growth over different timeframes**

	UK house price change
1 year	10%
Pre-pandemic	27%
10 year	75%
20 year	146%



Source: JLL Research, Nationwide, HM Land Registry

Figure 1.4 **Nationwide house price index**



Source: JLL Research, Nationwide

Figure 1.5 **JLL Residential Sales Market Forecast 2023-27**

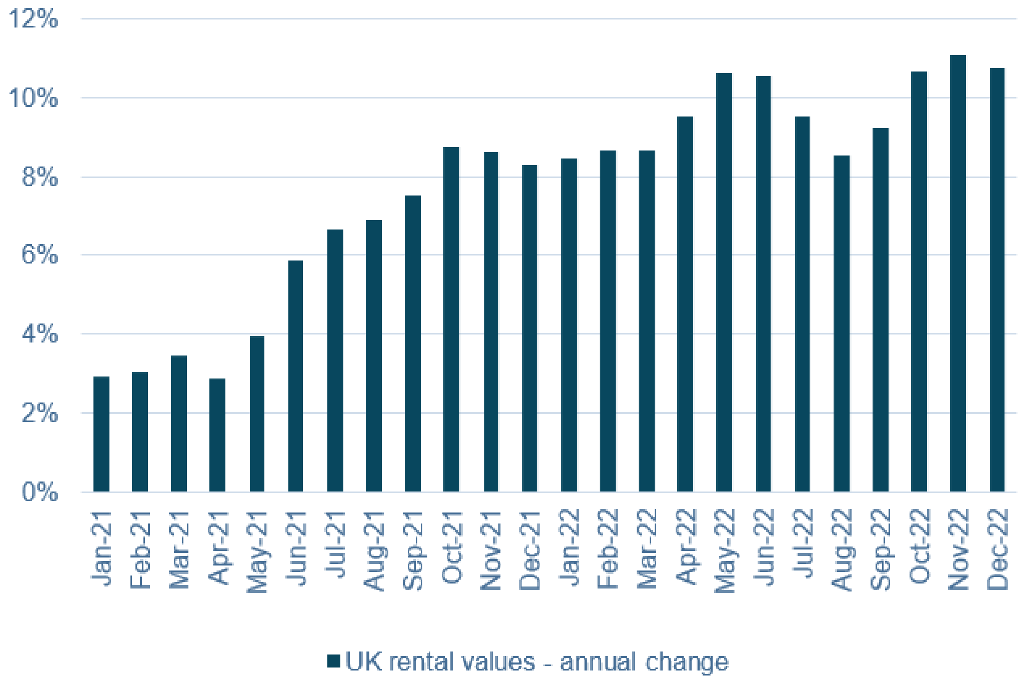
Sales Price Growth	2023	2024	2025	2026	2027	Cumulative 2023-27	Average 2023-27
UK	-6.0%	1.0%	4.0%	5.0%	5.0%	8.9%	1.7%

Source: JLL Research

This reliance on the private rental sector by a growing proportion of UK households, coupled with the lack of alternative available housing options has seen rental values increase. These rising rents have therefore prevented households from saving enough of their disposable income for a deposit.

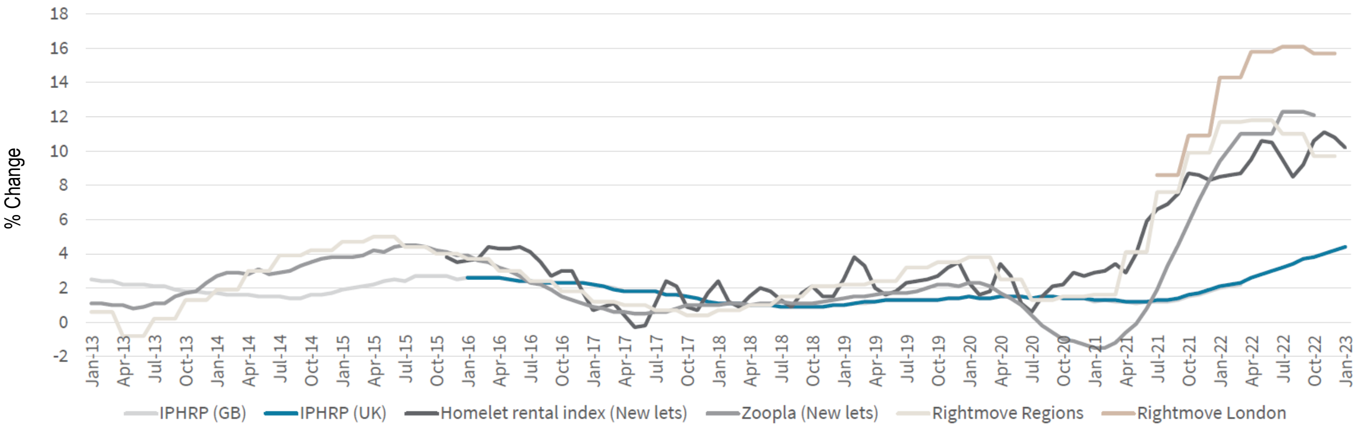
Figure 1.6 based on Homelet data illustrates how rents (new lettings) have been growing over most months since January 2021 with the annual change in achieved rents rising by over 20% in many areas of the UK since the pre-pandemic period. Coupled with this information, **Figure 1.7** illustrates the difference in rental growth between new lettings and ongoing tenancies, comparing wider new lettings data with ONS rental data which considers all renters rather than just those entering new agreements. Finally, **Figure 1.8** illustrates JLL's rental forecast from 2023 to 2027.

Figure 1.6 **Annual change in achieved rents (new lettings) – January 2021 to December 2022**



Source: JLL Research, Homelets

Figure 1.7 **Annual change in achieved rents (new lettings) – January 2021 to January 2023**



Source	UK	England	London	Wales	Scotland
ONS (all rents)	4.4%	4.3%	4.3%	3.9%	4.6%
Homelet (achieved new lets)	10.2%		13.0%	10.6%	12.3%

Source: JLL Research, Homelets, Zoopla, Rightmove, ONS

Figure 1.8 **JLL Residential Rental Market Forecast 2023-27**

Rental Growth	2023	2024	2025	2026	2027	Cumulative 2023-27	Average 2023-27
UK	4.0%	3.5%	2.5%	2.5%	2.5%	15.9%	3.0%

Source: JLL Research

The impact of high housing costs is potentially having a slowing effect on many of the typical major life events, which in turn is proving to be a positive growth indicator for private renting. The average age of UK first time buyers has risen from 24 in the 1960s to 34 today. Fewer people are getting married today with only 219,850 marriages in 2019 compared to 370,022 in 1980, despite the population having increased by 7.8 million over that period (ONS). The UK population is also having children later in life, with the average age of parents at the birth of a child increasing from 28.1 in 1976 to 30.9 in 2021 (ONS).

Affordability pressures have caused many individuals (and particularly those in their 20s after they leave university) to choose Houses of Multiple Occupancy (HMOs) to manage their costs, as these typically command lower rents per renter. As the stock now used as HMOs were originally designed to accommodate families and family-style living, renters have been forced to compromise due to a lack of housing alternatives. In some instances, communal living rooms have been converted into additional bedrooms so that each individual can lower their rental payments.

This has been further exploited by small developers. Particularly in London, a significant number of period-built family-sized homes have been converted into multiple flats to increase the developers' Return on Investment (ROI). These conversions have been constrained by the existing floorplate and layout, with some considered unfit for purpose. The supply/demand imbalance for rental properties has meant that a significant proportion of these poorly designed rental properties have been let.

1.4 Urbanisation

According to the United Nations (World Cities Data booklet, 2018), 55.3% of the world's current 8.5bn population lives in urban areas. By 2050, the UN forecasts that the world's population will reach 9.8bn of which 68%, or close to the entire current world population, will live in urban areas.

Urbanisation, the rise of the sharing economy and changing demographics are all contributing to a significant shift in people's attitudes towards what they want from their homes – and when in their lifetimes. Location and affordability are the fundamental drivers of all housing decisions, for instance how important is a particular location and can that person afford to buy or rent there. Over the past 40 years demographic changes have taken effect, seeing people live longer, be less likely to get married and delay the decision to start families, all of which leads to a growing group of people who require less space in which to live and typically require a greater flexibility of tenure. Urbanisation has increased access to shared/community amenities and decreased the need to 'own' certain goods. Furthermore, technological advances have given rise to so-called sharing initiatives in which accessibility to goods and services is more important than actual ownership. Examples of sharing initiatives include Zipcar, Netflix and Spotify. It has been noted that for those in the age cohorts of Millennials, Generation Z and potentially Alphas are particularly open to different ways of approaching sharing resources with others.

It is not just the UK where urban areas are the focus of heightened housing demand. There is a global trend towards city-living with young professionals particularly attracted by the allure of both higher-earning employment opportunities in cities whilst also benefitting from its vibrant leisure offerings.

This has placed undue pressure on housing provision in cities. Planners and developers alike are exploring solutions to increase the rate of new housing delivery and, given the finite supply of land in urban areas, all roads point to densification. One way to increase density is to build smaller, which creates an opportunity to increase the number of homes available in areas of greater demand.

1.5 House Shares and HMOs

A consequence of the rise in urbanisation in the UK has been an increase in the number of people who live in house shares or HMOs. The HMO sector is a very specialist market which, in its original form, provided the vast majority of student housing accommodation across the UK before PBSA became the dominant student investment sector. HMOs, as a sector, have however increased considerably over the last 10-15 years in the UK, as a result of increased demand for affordable accommodation compared to increasing residential house price growth.

Unlike the Build to Rent and Purpose Built Student Housing markets, HMOs are far less transparent in terms of statistics and investment volumes, largely driven by the traditional diversity in ownership – many by individual or small-scale buy-to-let landlords. In 2018, the Government estimated that there were around 4.7 million people within the private rented sector in England, and around 497,000 HMOs in England and Wales. Due to the ongoing housing shortage, properties within both the PRS and HMO sectors are needed to meet rental demand, with HMOs being a viable option for those looking to share for both social and financial reasons.

According to CPC Finance, tenants come from three categories, which are student, social and professional tenants, with the student tenant being the traditional group for HMOs.

Rents for HMO properties vary across England, but the VOA shows Local Authority HMO Rents by room from October 2020 to September 2021 (the latest data available) in **Figure 1.9** as follows:

Figure 1.9 **HMO Properties in England by Region**

Area.	Count of rents	Mean	Lower quartile	Median	Upper quartile
North East	620	£378	£334	£368	£412
North West	2,190	£398	£347	£390	£433
Yorkshire and the Humber	1,780	£379	£338	£370	£415
East Midlands	2,100	£406	£364	£400	£450
West Midlands	1,560	£409	£373	£400	£450
East of England	1,340	£487	£425	£490	£550
London	800	£655	£550	£650	£750
South East	3,050	£468	£400	£450	£525
South West	3,090	£444	£390	£433	£495

Source: VOA

For those under 65, house sharers and single person households make up five million homes across the country – equating to 17% of all UK households (see **Figure 2.10** below).

Figure 1.10 **Household composition UK 2021**

Household Type	UK
Single Person Household (Under 65)	4.1m
Single Person Household (retirees)	4.2m
Sharers (unrelated adults)	0.8m
Couples with no children	7.9m
Families with children	11.1m
Total Households	28.1m

Source: VOA

HMO occupants enjoy private use of their bedroom within the property whilst sharing facilities such as a kitchen and/or bathroom. Part 10 of the 1985 Housing Act lays out design standards which effectively set a minimum lettable room size of 6.5 sqm for adults.

A significant drawback of these kind of housing solutions is that they are not tailormade for their occupants having initially been designed as family homes. Rooms are often of unequal sizes and the house’s amenities can become stretched if the occupiers are on similar daily routines, leading to ‘queues’ for the bathroom or kitchen. Furthermore, lease agreements were designed to protect tenants’ rights from landlord exploitation, however in their current form are unsuitable for HMOs. The agreement binds all tenants to the same terms which makes it harder for individuals to move out and find alternative accommodation. It is common practice that an individual within an HMO who wants to move out must find a replacement tenant to remove themselves from the liability to meet the rent. This can be further complicated when trying to obtain the individual’s proportion of the security deposit from the Tenancy Deposit Scheme. Finally, occupiers are often jointly liable for the rent of all rooms within a HMO and can be held responsible for paying another joint tenant’s proportion of the rent if they fail to pay. This can unfairly impact individuals' credit ratings which can affect their ability to access financial products such as credit cards, loans and mortgages.

Dissatisfaction in the quality of HMO accommodation available to students has provided an investment opportunity for investors in the Living Sectors. We are aware that the student housing provider 'Student Cribs', which was founded in 2003, has exercised an investment plan nationally purchasing portfolios of HMO properties for students in University cities with the intention of improving quality and conditions, drawing on centralised management efficiencies in turn providing healthy returns to investors. The provider has grown significantly to include 24 cities across the UK.

In addition, a range of more modern versions of the "house sharing" concept have started to emerge in the UK for the professional market. Typically in city centres these new rental products are, in effect, large HMOs, and these developments are now commonly referred to as Co-living.

2. Defining the Co-living Opportunity

2.1 The Sector

Against the backdrop of these increasing housing pressures on cities, new forms of accommodation such as Co-living are emerging, providing rental homes purposely designed for sharers. Driven by consumer demand and changes in lifestyle along with issues of supply and affordability, Co-living seeks to optimise personal and shared space, whilst promoting social engagement between residents, through a community-centric, hospitality-led management structure.

Alongside changing consumer habits, technological advancements and the rise of the sharing economy, consumers are increasingly seeking access over ownership. Co-living is contributing to how these trends will continue to shape the way in which we live and to rethink the impacts on the space we utilise.

In the past 5 years, Co-living has grown rapidly across Europe and the UK and shows little sign of abating. Across Europe, the number of operational beds now stands at 26,400, with a further 74,600 units in the pipeline, an increase of over 180% over the last 2 years. From a market perspective, within Europe, the UK 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) Co-living sector. The number of operational units has increased from 773 to 4,953 in the past five years, demonstrating an increase of 541%. The number of beds in the pipeline with planning approval is 15,613, with a further 9,831 yet to be decided on. This demonstrates the huge increase in both the pipeline and current Co-living provision at both a European and UK level. As can be seen, much of the current emphasis is on development, and our research shows that investors are looking to increase scale.

Globally, the sector has grown rapidly and will continue to grow at pace as more markets emerge. Therefore, despite the nascent nature of Co-living to date, it is set to have a major impact on city living in the coming years. The biggest challenge that the sector currently faces is that surrounding planning. It is essential that policy makers recognise the benefits Co-living offers, and work to ensure the planning process does not deter developers and investors from the market. Co-living offers choice in a market short of options and needs to be supported as a sector.

2.2 The Product

JLL tracks and monitors Co-living schemes worldwide, and therefore has a deep understanding of the principles that underpin the product. JLL regards the "developer-led" and "institutional-grade" model of Co-living as a residential sub-sector which is defined by the following characteristics:

- Is purposefully built or converted
- Is professionally managed and hospitality-led
- Is multi-tenanted
- Comprises individual leases or licences
- Is not entirely restricted by any specific tenant demographic group
- Provides efficient private areas and expansive shared spaces

Co-living assets have a comparatively high provision of amenity, and operators focus on incorporating spaces and services that aim to positively impact the health and wellbeing of residents. This can be seen in the inclusion of defined coworking spaces, lounge areas and professional-grade kitchens that facilitate social engagement. Events and networking sessions are often hosted to cultivate collaboration, interaction and a community-centric environment. The fitness and wellness spaces constitute more than just personal, or group training areas, enabling residents to also find quiet space and focus on relaxation and mindfulness. Commercial floorspace can provide opportunities for food and beverage offers as well as a range of retail and exhibition spaces, drawing in residents from the surrounding community and acting as zones within the building for socialising, engaging with neighbours, developing friendships, and building communities.

As the sector increases in maturity and operators continue to adapt to changing consumer habits, their understanding of which services residents value the most and how they can make the best use of space will evolve.

This subsector represents a unique and purpose-built solution to people’s modern rental needs. It provides a customer-focused modern solution for the significant proportion of the population currently living in shared environments in traditional HMOs.

Through being purposefully designed, built and professionally managed by an institutional-grade landlord it can alleviate some of the shortcomings of HMOs and the traditional private rented sector. Lease agreements are individually structured. Rooms in general are equal size for all occupiers and are typically larger and with more amenities than HMOs.

As a generalisation, we would expect a Co-living scheme to incorporate a clear investment and management vision to provide a superior rental experience for its residents and be targeted towards delivering a product in line with that expected by the capital driving living sector investments globally. This quality should be present throughout the service and amenity offering, design and configuration of the private bedrooms and throughout the creation and nurturing of communities (both those internal and external to the building).

Service and amenity

Such a scheme should provide quality of service, from the responsiveness of the concierge through to the excellence of add-on services such as room-cleaning/linen changing packages. This same quality should be present in the amenity offering made within the scheme, which must be thoughtfully designed to ensure it is appropriate for the target market.

Such amenity could include areas such as resident lounges, break-out areas and coworking spaces. Provision of well-equipped and appropriately sized communal kitchens and laundry is a minimum requirement.

Typically, we would advise the amenity offering within a Co-living scheme to include:

Core

- Concierge (ideally 24 -hour, daytime as a minimum)
- Residents lounge
- Communal kitchen facilities
- Shared laundry facilities

Non-Core

- Library / quiet zones
- Coworking areas
- Restaurant style services (location dependent)

- Gym / exercise / wellness spaces
- Private dining room (can be hired by residents)
- Cinema / TV / games room (flexible space)
- Exhibition spaces
- Roof terrace / communal outdoor spaces

Whilst the above sets out the amenity provision expected of a 'best in class' Co-living scheme, it is important the amenity offering compliments the surrounding location of the scheme. If for example, the scheme is located in an area with an abundance of local restaurants, providing an onsite food and beverage offering will be of lesser importance. Conversely, if the scheme is located in an out-of-town location, emphasis will need to be placed on the provision of the above amenities on site.

Examples of Co-living Schemes in terms of service and amenity levels are:

- **The Collective, Old Oak** was one of the first large-scale Co-living schemes to open in the UK and currently boasts a 97% occupancy rate which is likely to be, in part, driven by the quality of service delivered to its residents. Old Oak creates a sense of ease and convenience for its residents, providing all-inclusive bills, regular linen changing and bi-weekly room cleaning services and on-site maintenance teams for swift reactiveness. The scheme also makes a significant amenity offering, including a gym, grocery store, private dining room, restaurant, private event space and a range of shared spaces for working, relaxing and socialising. Whilst The Collective Old Oak one of the first large scale Co-living schemes within the UK it is important to note that the product has significant evolved (in terms of room sizes and amenity).

- **Scape, Guildford** is an example of a regional Coliving scheme that offers tenants an exemplary resident experience. The monthly rent is inclusive of Wifi, fortnightly cleans and 24/7 security, alongside access to an attractive array of amenity spaces. The amenity offered includes a state-of-the-art fitness studio, cinema room, family-style kitchen, coworking spaces and communal lounge areas, all of which have been designed by an industry leading interior designer. Residents can also benefit from the weekly deliveries of fresh breakfast pastries, beer and wine for entertaining friends and supper clubs hosted by local chefs.

- **Sunday Mills, Earlsfield** is operated by "Folk", an emerging operator group which currently has two schemes in London, with a third set to open soon. Folk place an emphasis on their shared amenity spaces and in ensuring these are well-located, developed and designed to a high standard. The ground floor houses a large lobby, which has been designed to act as a meeting place for residents, centred around a central atrium staircase. Amenity on offer to guests include a shared dining room, concierge service, living room, roof terrace, gym and yoga studio.

Other notable London schemes leading the market In terms of amenity and service provision include; **The Palm House**, Harrow, **Wembley Ark**, Wembley and **Dandi Wembley**.

Private bedrooms

Bedrooms should be sensitively and creatively designed to ensure that they suit the lifestyle and requirements of the anticipated occupants; rather than simply designed to fit everything that a Co-living bedroom is understood to require. Consideration of factors such as storage, circulation, and provision of a "living area" is key.

Community

Central to the Co-living concept is the creation and nurturing of a sense of community between like-minded people who perhaps seek similar experiences or work in similar professions. Getting this right is critical as it can lead to higher retention rates, which ultimately results in lower voids, as well as attracting new tenants through word of mouth.

Industry examples of strong community engagement include:

- **The Italian Building, Mason & Fifth** places significant emphasis on the creation of a resident community and in particular, a focus on wellbeing. Mason & Fifth offer a mix of classes and events on and off site designed to benefit one's mind, body and soul (Nourishment, movement, strength & mindset and holistic wellbeing). These include, family means and weekend re-treats, weekday events, workshops and house parties alongside fitness programmes. This approach helps forster a sense of community within the scheme and also contributes towards a longer length of stay and 100% occupancy rate.
- **The Palm House, Harrow** has been managed with an aim to nurture a sense of community both internally within the development's residents and externally within the local community. Resident events are designed around the four key themes of: Move, Learn, Play and Impact. Move events are resident-only and place an emphasis on collective movement', such as weekly Pilates on the roof terrace. Learn events give residents the opportunity to broaden their knowledge on a variety of topics, whilst building relationships with their fellow residents. An example of a Learn resident event has been 'Blockchain 101', giving residents the opportunity to improve their knowledge of Crypto currencies. Play events emphasis having fun as a community and are open to those from within and outside of The Palm House. This often takes the form of Friday night drinks at the Mule Bar. Impact events focus on the wider community, an example of which has been an hour-long litter pick, followed by coffee.

Integrated technology

Technology has revolutionised the way in which we (and particularly millennials and those reaching adulthood in Generation Z) live, work and play and has become a prerequisite for today's younger generation when choosing a place to live. Effective integration of technology into the operational and management platforms of a Co-living asset is, therefore, imperative for driving and improving the resident experience. This also optimises efficiencies within the building, thereby reducing operating expenditure.

Consumer-facing technology should provide for a seamless experience for the resident, from the point at which they book the initial viewing, through to signing a lease, connecting to the WIFI on move-in day, starting paying their rent and helping to manage their interactions with management once in residence. Technology that works, is intuitive/easy to use and which is reliable is of critical importance to residents in the rented sector and from our experience as a manager, residents are more likely to notice when technology does not work than when it does. In other words, anything less than a seamless technological experience is likely to negatively impact their experience and relationship with the scheme and operator and may reduce the likelihood of them extending their lease or recommending the property to their friends and colleagues. It is critical that investors, developers and operators alike give serious consideration to consumer-facing technology during the initial design phases of any Co-living scheme and are committed to maintaining and improving systems over time as technology advances.

Our research has shown that Co-living assets which utilise a mobile application with an online platform receive positive feedback from their residents. This technology affords residents flexible and instant access to services, as well as streamlining communication between them and the operator. Numerous functions can be performed on these apps to improve the resident experience, such as paying rent; reporting maintenance issues; arranging for services such as dry cleaning and housekeeping; receiving of notifications when a parcel has been delivered; and notification of social events. There are also opportunities to encourage social interaction between residents which live in different buildings managed by the same operator, enabling new forms of sustainable living.

Back-of-house technology is of equal importance and is central to the operation of a "best-in-class" Co-living scheme. It is essential that whoever undertakes the management function on behalf of the investor (whether in-house or third party) is clearly focused on a technological solution for residents, ensuring that technology is integral to the scheme at all times.

Management and operations

A "best in class" Co-living asset should deliver a high standard of service to its residents and accordingly is typically professionally managed. High occupancy levels underpin rental growth and, therefore, a good resident experience is vital not only to attract, but also to retain, residents. As such, having an exceptional and efficient management platform is key to delivering the optimum resident experience throughout the entire lifecycle of any scheme.

Due to the embryonic nature of this sector the management of such assets currently sits within a triangulation of operators with experience from the BTR, student and hospitality sectors. It is JLL's view that such management platforms are currently more hospitality based due to the quality of service that should be provided and that will be expected by residents, although this is evolving over time as PBSA and BTR systems and levels of experience grow as these sectors mature.

To enable any operator to be "best in class" there should be a clear management plan including the running of back of house facilities, the services provided to residents and the staff required to operate these effectively. The role of the 24-hour concierge/residential services manager is pivotal to any Co-living scheme, with them (and potentially their front of house team depending on the scale of a development) acting as a constant point of communication for resident events, repair notifications and any resident queries. The relationship built between resident and concierge can be hugely beneficial, allowing for a more personal level and quality of service to residents. The front of house plan should also include looking after services including parcel collection, cleaning, and organising repairs. This role can also oversee the management of a range of other services, including the food and beverage and coworking elements.

2.3 Occupiers

The pressures of increasing population and unaffordability of housing has translated into the increased popularity of shared living, which in the UK has historically taken the form of Houses of Multiple Occupation (HMOs). As previously discussed, 17% of the UK's households (4.9million) are classified as either single occupiers or sharers within HMOs under 65. Given the nature of the UK's housing stock, and direction of planning policy which has typically favoured the delivering of family housing, it is likely that the vast majority of these households are living within properties which were not designed for groups of sharers or their particular way of living.

Further, the issue of loneliness and isolation has become an increasingly relevant social problem. Despite living in a seemingly more connected world, the most recent Office for National Statistics report on loneliness stated that 6% of adults (16+) in England reported feeling lonely 'often' or 'always' (Community Life Survey 2019/20: Focus on Loneliness Report). Further it was found that younger adults aged 16-24 reported feeling lonely more often than those in older age groups. The report highlighted three groups of people that are at particular risk of loneliness, with one of these being 'young renters with little trust and sense of belonging to their area'. With younger people attracted to urban areas with the prospect of high-quality jobs and rich amenity, they often find themselves moving to busy cities where they know few people and working in jobs with demanding hours. This therefore makes it difficult to find the time for them to become comfortable with their settings and establish a community in the area. This has accelerated the rise of loneliness of young people in cities, making it a societal issue that we face today.

Co-living seeks to offer a high-quality, affordable and socially rich product for its residents. Tenants are attracted by the flexibility that shorter tenancies provide, avoiding getting trapped in cycles with letting agents and lengthy contracts in a society where peoples personal and professional lives are increasingly open to change. Further, the high quality of these schemes due to the thoughtful and efficient design, use of high-quality materials and wealth of amenity unlike anything found in a normal HMO is attractive for residents. Paying market rent for this quality accommodation that includes all bills makes it a more accessible product than the Build to Rent offering currently on the market. Co-living assets also promote social engagement between residents through a community-centred, hospitality-led management structure which attempts to tackle the issue of loneliness among renters. All these factors make Co-living an attractive proposition to many renters.

At a conceptual level, the core demographic attracted to living in Co-Living developments do tend to be in younger age groups of those in their early 20s to early 30s. The smaller scale of the living accommodation combined with the greater proportion of shared space is very similar in many ways to the experience of students living in Purpose Build Student Accommodation (PBSA). Co-living is therefore a natural option for those who graduate from university and look to build their early career years in urban centres and who wish to continue enjoying community-based living options.

Notwithstanding the above, anecdotal experience has shown that residents of Co-living schemes are representative of a wider demographic range including young professionals, corporate lets (where there is a need for weekday accommodation in cities but not necessarily a requirement to live there 365 days per year – or perhaps for short periods of time during contract/project work), single personal households at all ages (particularly including divorcees) and those who commute long distances to work. The key takeaway from this observation is that the benefits of flexibility that Co-living can offer can be as important as the core age group that are typically attracted to living in shared communities. And an extension of this factor is that Co-living operators and investors need to be careful in their vision to develop buildings which appeal to a wider audience than just those immediately post University.

2.4 Impact on location

A Co-living development can have a significant impact on the area in which it is situated. Currently Co-living developments are comparatively scarce or non-existent in many cities, however, due to its uniqueness and attractive proposition as an emerging investment sector, there is clear potential to attract residents from all over a city. This can make a location traditionally less thought about desirable as a Co-living opportunity. Successful developments are those that tick the majority of boxes in terms of practicality, including transport and proximity to key economic centres for employment.

Further, professionally managed rental products, such as a Co-living development, have the ability to transform an area or act as a catalyst for further investment and development as they create the opportunity to bring an immediate population of new residents into a location. Units in a Co-living development tend to let up relatively quickly when compared to the rate of sale of private units, especially so if priced sympathetically to the local and wider area rental market. This means that an area can immediately benefit from an increased population, who will avail of the amenity available in an area, boosting the local economy. This can give life to an area that has previously struggled to attract people, aiding in placemaking.

2.5 Fitting within the broader Living sector

Co-living draws on elements from the student housing, BTR and hospitality sectors, but is beginning to form its own distinctive character. In a relatively small but growing market, asset and operator-specific preferences are shaping how these homes are being provided. Schemes show heterogeneity and blur lines between traditional understandings of different Living sectors.

Co-living assets have a higher provision of amenities and more shared space than BTR blocks, though the scale and nature of this provision can vary. Alongside this is a growing awareness that the place in which people live is intrinsic to their quality of life. An emerging emphasis from operators focuses on incorporating the types of spaces and services that aim to positively impact the health and wellbeing of residents. As such, alongside the physical characteristics that define the sector, there are also nonmaterial traits, such as community events, that are becoming increasingly synonymous with Co-living.

Referring back to the information provided at Section 2 of this report, Co-living is a logical opportunity for large-scale investors who are concentrating their focus on the Living Sectors presently to expand their investments in a sub-sector with substantial growth potential. There is a clear need for more rental accommodation across the board in the UK and also for new build, high quality accommodation at a wider range of price points.

JLL are of the view that Co-living as a sub-sector of Living has an important role to play in the UK's rental sector going forward and is complementary to PBSA and BTR, both of which have established growing investment sectors in recent years and have attracted high volumes of institutional capital.

Figure 2.1 below illustrates how JLL see the different investment opportunities in the Living Sector fitting together, with Co-living highlighted for the purposes of this report. While the approximation of target age groups should not be seen as exclusive (see comments in section **2.3** above the target market needing to be wider than just those aged 18-35), this diagrammatic representation illustrates the broad spectrum of institutional grade investment in Living Sectors. Co-living has a key role to play in providing rental accommodation, which is critical to providing a quality and long term housing solution for people at all ages and stages of life in the UK.

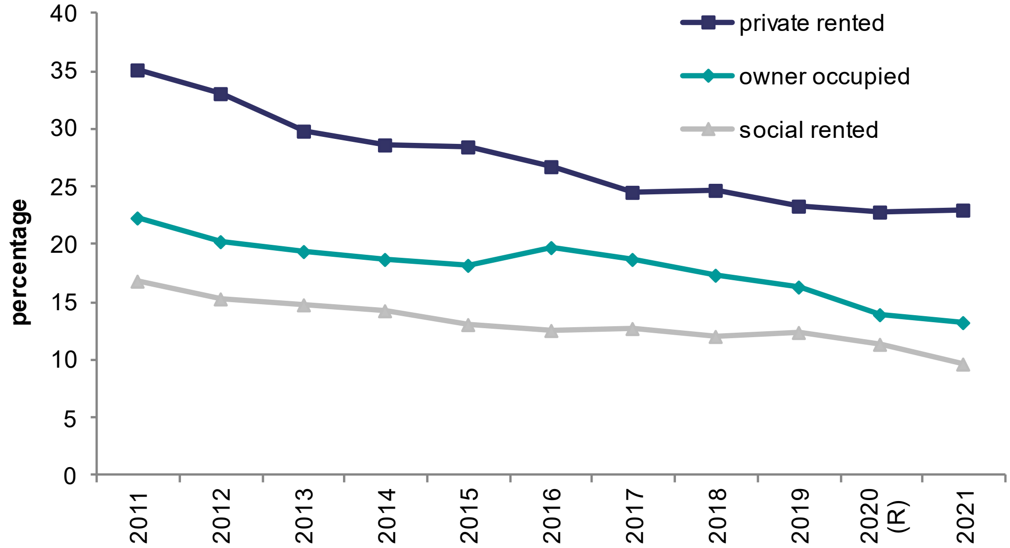
Figure 2.1 **The spectrum of living sector opportunities**

Source: JLL

In addition to the above, Co-living also offers an opportunity to improve the standards that residents experience at the more affordable end of the Private Rented Sector (not typically targeted in BTR or PBSA asset classes). This is certainly appealing to institutional grade capital in terms of their ESG requirements.

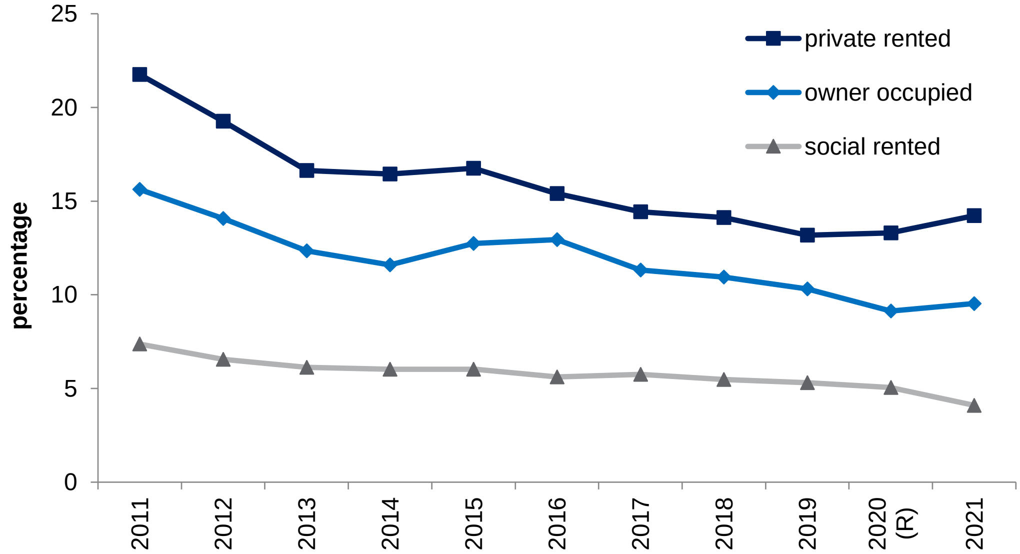
As an illustration of the importance to address standards in private renting, **Figure 2.2** shows the proportion of non-decent homes in the last decade which, whilst improving generally, remains more of an issue in the private rented sector than in the owner-occupier or social rented sectors. **Figure 2.3** shows a similar pattern in terms of the proportion of homes where category 1 hazards are identified.

Figure 2.2 **Non-decent homes, by tenure, 2011 to 2021**



Source: English Housing Survey, 2021-22

Figure 2.3 **Homes with Category 1 hazards, by tenure, 2011 to 2021**



Source: English Housing Survey, 2021-22

3. Co-living: Pipeline

3.1 UK Pipeline

There is a significant pipeline of Co-living beds coming forward in the UK over the next five years. The majority of this is concentrated in London, however a significant number of beds have also come forward in cities such as Manchester and Sheffield.

In the past five years, the Co-living market in the UK has grown significantly, with the number of operational beds increasing from 773 to 4,953. This represents a 541% increase, with a further 15,613 beds having gained planning permission and under construction to delivered over the coming years. This increase demonstrates the popularity of the sector, from both an occupier and investor perspective. It is anticipated that this acceleration in the number of beds and locations for Co-living developments will continue to increase as the sector starts to mature and assets stabilise.

Figure 3.1 shows the number of units in the UK Co-living sector presently including the number of units planned.

Figure 3.1 Number of units in the UK Co-living sector

Status	Number of Units
Pre-application	4,012
Planning submitted	5,360
Planning approved	12,446
Construction	3,167
Open	4,953
Total	**29,938**

3.2 South of England Pipeline

In the south of England there are currently a total of 15,337 Co-living beds in the planning process and operational. This total breaks down to 1,147 beds having been submitted for planning permission, with a further 6,053 beds having received planning permission. Currently, 1,547 beds are under construction with 4,132 beds operational. As expected, the majority of these beds are in and surrounding London, however we are seeing a rise in applications from other regional centres in the south of England.

Figure 3.2 Location of units in the UK Co-living sector

	Pre-Application	Planning Submitted	Planning Approved	Construction	Open	Total
London	1,600	1,057	5,377	1,457	4,025	**13,516**
Brighton	762	-	83	-	-	**845**
Exeter	-	-	517	-	-	**517**
Bristol	-	-	-	-	107	**107**
Bath	96	-	-	-	-	**96**
Reading	-	-	-	90	-	**90**
Truro	-	90	-	-	-	**90**
Portsmouth	-	-	76	-	-	**76**
Total	**2,458**	**1,147**	**6,053**	**1,547**	**4,132**	**15,337**

4. Local Market Overview

4.1 The City of Exeter

The City of Exeter is described as ‘a small city that packs a big punch’; one of the most vibrant, attractive and historically interesting cities in England (Visit Exeter). A Cathedral city with Roman walls, the city is known for its culture, arts and enviable location - close to the Jurassic Coast and between the Dartmoor National Park and East Devon Area of Outstanding National Beauty.

The City is approximately 180 miles south west of London, 80 miles south west of Bristol and 45 miles to the north east of Plymouth. The city is the regional and administrative centre for Devon and has a population of 117,773 (2011 Census) with a primary catchment area of 502,000.

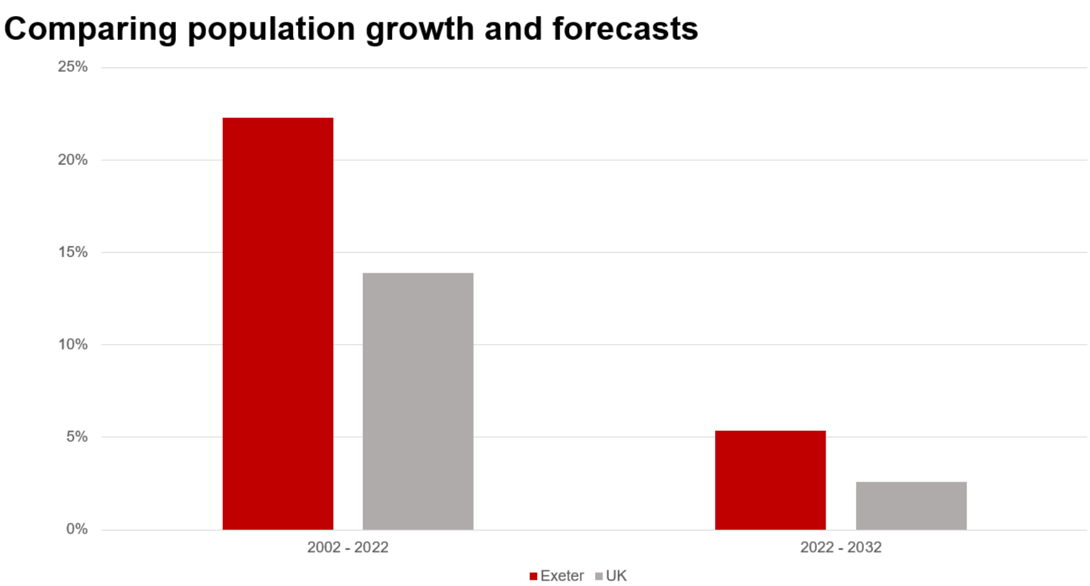
Communications to Exeter are good with the M5 motorway, A38 Devon Expressway and the A30 all passing close to the city. Mainline rail services are available from Exeter St. David’s and Exeter Central Stations. There are regular connections to London Paddington and London Waterloo. Exeter Airport is located to the east of the city and scheduled and chartered flights are available to a number of major airports throughout the UK and internationally.

Exeter is a popular city which benefits from good transport links, retail and leisure facilities, schools, and a renowned University.

4.2 The Population of Exeter

The population of Exeter grew by 22% to circa 134,600 over the past 20 years to 2022, far outpacing the overall population growth across the UK, which grew by 14% over the same period. The trend in population growth in Exeter is expected to continue over the next 10 years, albeit at a slower rate, rising by around 5.4%; this continues to be above the growth rate across the UK of 2.6% over the same period (see **Figure 4.1**). The forecasts therefore expect a degree of in-migration to the city and move towards urbanisation from elsewhere.

Figure 4.1 **Population growth in Exeter compared to the UK**



Source: JLL, Oxford Economics

One of the main contributors to this increase in population in Exeter is the migration of residents into the city. The following table provides the population projections for 15 to 54 year olds for the next ten years. The younger age group is projected to increase by 18% over this period, however the older age group of 25-34 is set to contract (see **Figure 5.2**).

Figure 4.2 Population Projections for Exeter 2022 - 2032

Age Group	2022	2027	2032	% change over next ten years
15-24	27,527	30,436	32,571	18%
25-34	22,715	20,575	19,964	-12%
35-44	15,459	17,238	17,821	15%
45-54	13,999	13,610	14,224	2%

Source: CACI, 2023

Figure 4.2 above indicates a wide tenant pool and a prevalence of the target renters for a Co-living development but more importantly the need for an increase in the rate of housing supply to the city. A Co-living development will help to provide both an increased supply in units but also a wider range of accommodation options for residents of the city. Growth in the 15-24 age bracket at a faster rate, against a contraction in the later 25-34 age group suggests forecasters are expecting the youth in the city to be the drivers of in-migration. Given under 18s are likely to remain living at home while in compulsory education, these numbers suggest a much greater growth in the student and early graduate tenant types. The contraction above 25 has been a concern to the city and we are aware the graduate retention here is much lower than in other University towns in England. Housing that is both affordable and high quality is going to be needed to accommodate and attract these residents and will be an important component to support the retention of graduates and the uptake of professional jobs in the city. A Co-living development offers this, with Co-living providing a unique living opportunity at all-inclusive market rents.

4.3 Age Profile

Demographic analysis of the current population (at **Figure 4.3**) outlines that 17% of the residents within 1km of the subject site are between the ages of 25 and 34, compared with 18% across 2km, 17% across Exeter and 13% across Great Britain as a whole. As explained, this age bracket tends to encompass

young professionals and those leaving education and training to start their careers, whether moving straight from home or leaving student accommodation. Starting wages at this stage of life mean that these age groups are largely sharers renting in the private sector; this is the ideal market for the Summerland Street Co-living scheme as this group will see value in accessing quality shared accommodation. This demonstrates that there are sufficient young people in the area who could be interested in this product.

Figure 4.3 **Population profile by age surrounding the site, Exeter and Great Britain**

Age profile (% of population)	1km radius of EX1 2AF	2km radius of EX1 2AF	Exeter	Great Britain
Population	**26,711**	**65,965**	**134,573**	**65,783,601**
0 to 4	3%	4%	5%	5%
5 to 14	5%	7%	10%	12%
15 to 24	45%	30%	20%	12%
25 to 34	17%	18%	17%	13%
35 to 44	8%	10%	11%	13%
45 to 54	6%	8%	10%	13%
55 to 64	6%	8%	10%	13%
65+	10%	13%	16%	19%

Source: JLL, CACI

4.4 The Socio-demographic Profile of Exeter and Immediate Area

This section draws upon published demographic data using CACI Acorn analysis of households. The CACI Acorn classifications relevant to this assessment are shown in **Figure 4.4** below as follows.

Figure 4.4 **CACI Acorn Classifications**

Households by Acorn group	
1 Affluent Achievers	These are some of the most financially successful people in the UK. They live in wealthy, high status rural, semi-rural and suburban areas of the country. Middle aged or older people, the 'baby-boomer' generation, predominate with many empty nesters and wealthy retired. Some neighborhoods contain large numbers of well-off families with school age children, particularly the more suburban locations.
2 Rising Prosperity	These are generally younger, well-educated and mostly prosperous people living in our major towns and cities. Most are singles or couples, some yet to start a family, others with younger children. Often these are highly educated younger professionals moving up the career ladder. Most live in converted or modern flats with a significant proportion of these being recently built executive city flats.
3 Comfortable Communities	This category contains much of middle-of-the-road Britain, whether in the suburbs, smaller towns or the countryside. All life stages are represented in this category. Many areas have mostly stable families and empty nesters, especially in suburban or semi-rural locations. There are also comfortably off pensioners, living in retirement areas around the coast or in the countryside and sometimes younger couples just starting out on their lives together.
4 Financially stretched	This category contains a mix of traditional areas of Britain. Housing is often terraced or semi-detached, a mix of lower value owner occupied housing and homes rented from the council or housing associations, including social housing developments specifically for the elderly. This category also includes student term-time areas. There tends to be fewer traditional married couples than usual and more single parents, single, separated and divorced people than average.
5 Urban Adversity	This category contains the most deprived areas of large and small towns and cities across the UK. Household incomes are low, nearly always below the national average. The level of people having difficulties with debt or having been refused credit approaches double the national average. The numbers claiming Jobseeker's Allowance and other benefits is well above the national average. Levels of qualifications are low and those in work are likely to be employed in semi-skilled or unskilled occupations.
6 Not Private Households	These are postcodes where the bulk of residents are not living in private households which can be subdivided into three groups. Active communal population are people that may be in communal establishments yet still consumer to some degree. This includes defence establishments like military bases. It also includes hotels and other holiday accommodation. Inactive communal population are establishments like care homes, hospitals and other medical establishments.

Source: JLL, CACI

Data has been gathered for within 1km and 2km of the subject site. This has been compared with data for the Exeter area (encompassing the surrounding towns and villages) and Great Britain as a whole.

Figure 4.5 **CACI Acorn Classifications surrounding site, Exeter and Great Britain**

Number of households by Acorn group (Proportion of total households)	1km radius of EX1 2HF	2km radius of EX1 2HF	Exeter	Great Britain
Households	**9,920**	**26,637**	**55,382**	**27,745,087**
1. Affluent Achievers	9%	14%	17%	22%
2. Rising Prosperity	16%	13%	10%	10%
3. Comfortable Communities	15%	23%	30%	26%
4. Financially Stretched	48%	32%	27%	24%
5. Urban Adversity	12%	18%	17%	17%
6. Not Private Households	0%	1%	1%	0%

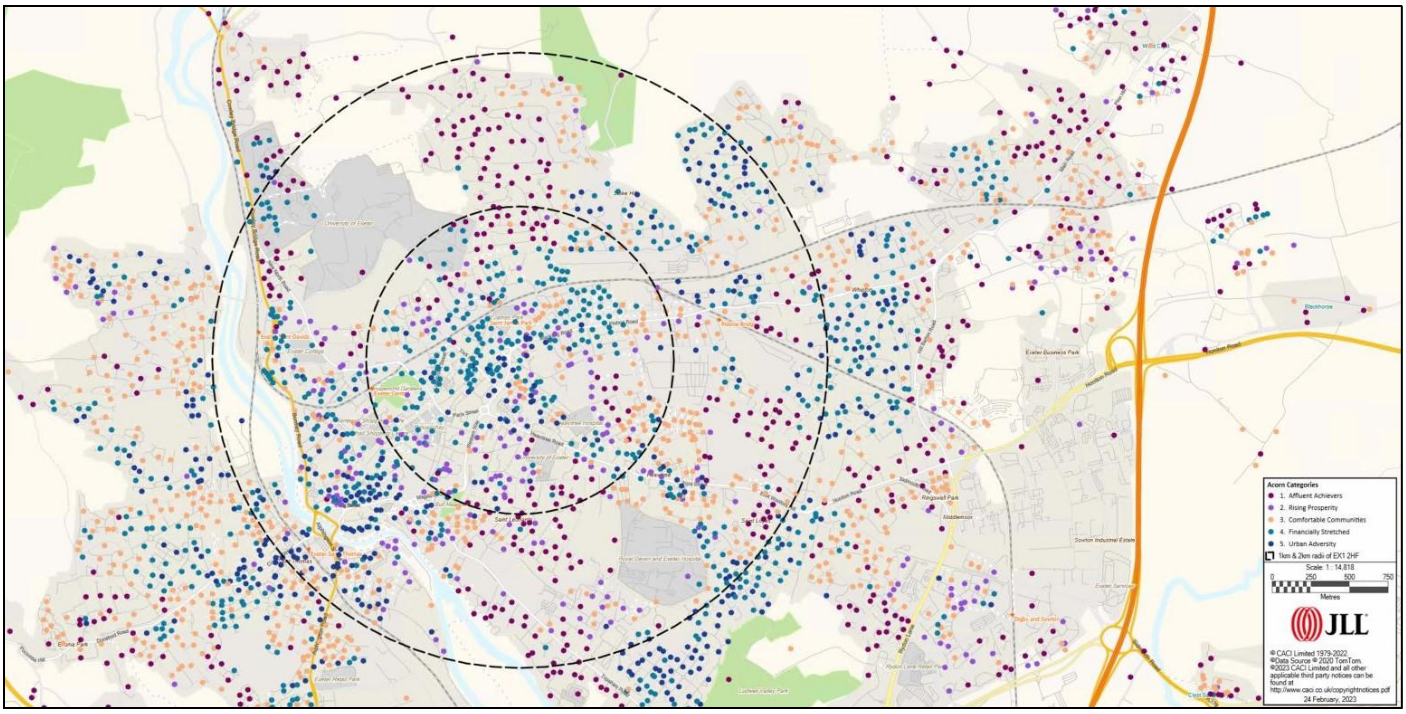
Source: JLL, CACI

The next largest demographic grouping within 1km of the subject site is ‘Rising Prosperity' communities (16%). The proportion of households within this demographic category is just below the proportion 2km of the subject site (13%) and is higher than that found in both Exeter (10%) and Great Britain (10%). Rising Prosperity households tend to be young professionals in rented, modern flats. They are likely saving for a deposit and have yet to raise the capital to get on the housing ladder. They are well-educated and usually are employed in junior and intermediate managerial professions. As young professionals are one of the key target demographics for Co-living developments, areas with a high proportion of the Rising Prosperity population will be of paramount importance to the success of this accommodation offering. The high percentage of this demographic in both a 1km and 2km radius from the site demonstrates the strength of Exeter as a location for Co-living.

The predominant Acorn grouping within a 1km radius of EX1 2HF is that termed ‘Financially Stretched' (see **Figure 6.5**). These households account for 48% of households within this geography. This is a far greater proportion than that within a 2km radius of the subject site (32%), Exeter (27%) and Great Britain (24%). Housing for this demographic typifies the most affordable accommodation, often terraced or semi-detached properties, a mix of lower value owner occupied housing and homes rented from the council or housing associations, including social housing developments specifically for the elderly. Crucially for this location, this category also includes student term-time areas. There tends to be fewer traditional married couples than usual and households are more commonly single people, single parents and those living alone post separation or divorce.

The map overleaf shows the dominant Acorn groups by postcode for the area around the subject site. There are notable concentrations of households that fall into the Financially Stretched category immediately surrounding the site and the city centre (teal dots). North of the railway line are the more affluent areas of Affluent Achievers (dark purple dot) and the area to the South West of the site has a higher concentration of Comfortable Commuters (orange dot) particularly around the Royal Devon and Exeter Hospital. The proximity of the Summerland Street site on the same side of the city as the hospital is an important one. Young medical professionals are an obvious tenant pool for a Co-living site, spending longer in education and their junior training, these professionals we would expect to value the benefits of quality accommodation, community and service that a Co-living development can offer.

Figure 4.5 **CACI Acorn Classifications in Exeter – identifying bands around the subject site**



4.5 Employment and Income Analysis

The vast majority of the working population within a 1km radius of the site work in supervisory, clerical and junior management roles (45%). This proportion sits well above the proportion within 2km (38%), Exeter (35%) and Great Britain (31%). These positions tend to be held by low to mid-level managers with higher education.

The next highest proportion of workers (25%) within 1km of BA2 3BX are employed in higher and intermediate managerial roles. This is slightly above the employment profile for Exeter and Great Britain but in line with that within a 2km radius. This shows a high level of graduates in and around the city centre.

Figure 4.6 **Employment analysis of working population**

Employment analysis (% of working population)	1km radius of EX1 2HF	2km radius of EX1 2HF	Exeter	Great Britain
All Usual Residents Aged 16 to 64 in Employment	**6,932**	**18,415**	**36,866**	**19,031,515**
A. Higher and Intermediate Managerial/Admin/Professional	25%	25%	22%	22%
B. Supervisory, Clerical, Junior Managerial/Admin/Professional	45%	38%	35%	31%
C. Skilled Manual Workers	11%	15%	15%	21%
DE. Semi-skilled and Unskilled Manual Workers, On State Benefit	19%	21%	21%	26%

Source: JLL, CACI

Having high proportions of the population in mid and high-level managerial roles demonstrates a level of affluence in Exeter and means there is a strong professional population in the city. Those holding professional occupations (and particularly those at junior levels) are thought to be target tenants for a Co-living development due to their desire to live close to work and their appetite for strong amenity.

Data from CACI reveals a granular understanding of household incomes in the area. A high proportion (43%) of households within 1km of the subject site earn between £20-£40k pa, which would be expected due to the high proportion of households in mid-managerial roles in this area. This percentage sits above the proportion earning this amount in a 2km radius (38%) as well as that in Exeter (33%) and Great Britain (35%). Further 52% earn above £40k, which demonstrates there is already an affluent population living in this area.

As would be expected, however, the proportion earning above £40k within a 2km radius increases to 58% due to the different type of housing. For Exeter as a whole this is slightly higher still at 64% and for Great Britain as a whole 61%. For a Co-living development, it would be expected that an income of around £30,000 would be needed to comfortably afford the product. From the demographics it can be seen that a large percentage of the population earn this amount or above, and thus existing residents in the locality of the site and those living further out of the city centre are likely to be able to afford a Co-living product. This further demonstrates the strength of Exeter as a Co-living location.

Figure 4.7 Family incomes in Exeter and Great Britain

Gross Family Incomes (% of households)	1km radius of EX1 2AF	2km radius of EX1 2AF	Exeter	Great Britain
Households	**9,920**	**26,367**	**55,382**	**27,745,087**
£0-£20k	4%	5%	3%	4%
£20-30k	**13%**	**14%**	**11%**	**13%**
£30-40k	**30%**	**24%**	**21%**	**22%**
£40-50k	29%	27%	28%	25%
£50-60k	16%	21%	24%	19%
>£60k	7%	10%	12%	17%

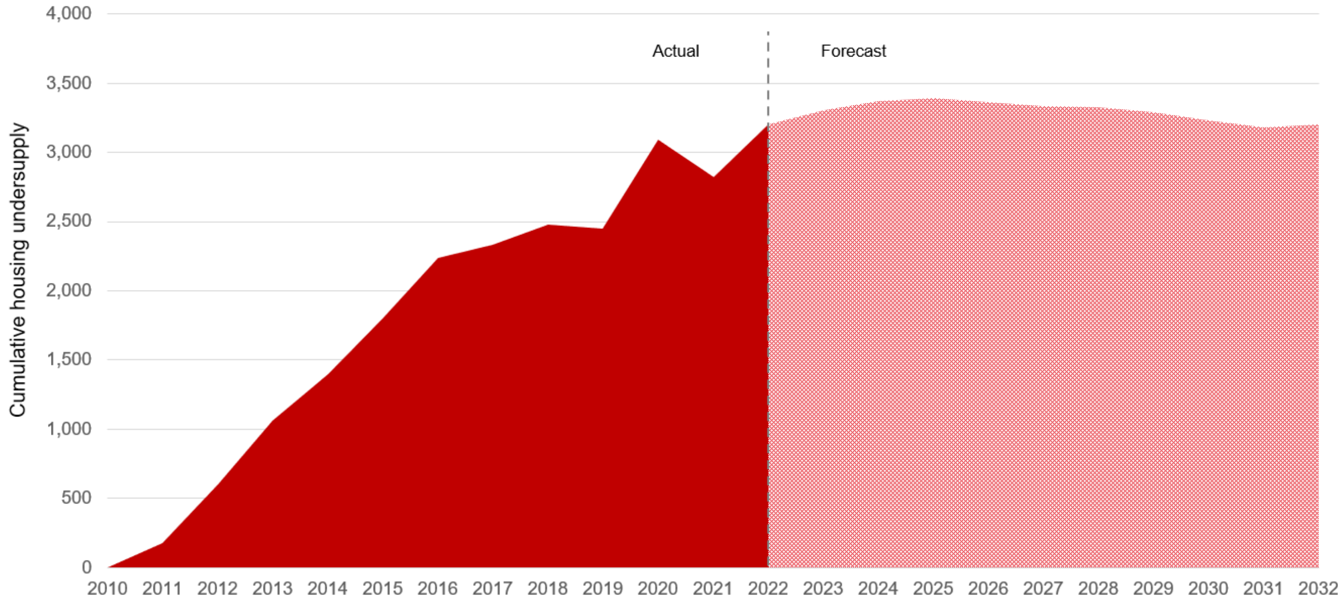
Source: JLL, CACI

5. Exeter Residential Market Assessment

5.1 Household Analysis

The number of households in Exeter increased by 6,670 during the ten years between 2012 and 2022 (Oxford Economics). During this same time period, 3,900 new homes were completed according to government statistics, equating to a housing delivery undersupply of 2,770 homes in total. Based on Oxford Economics forecasts, and considering average historic delivery of new homes have been in shortfall since 2010, as **Figure 5.1** demonstrates, the current cumulative delivery shortfall is expected to continue and remain above 3,000 over the next 10 years.

Figure 5.1 Exeter housing supply shortfall



Source: JLL, Oxford Economics, DLUHC

This continual undersupply of housing ultimately results in higher dependence on rental accommodation and tenants occupying rental accommodation for longer periods. This cumulative effect on undersupply underpins house prices and inevitably pushes house prices up, making it harder for the younger age groups to save the deposits required to buy their first home and creating a cycle that often becomes difficult to break. This, in conjunction with the increasing population, means that the private rented sector in Exeter will continue to grow, and more accommodation of all tenures will be required to abate the rising demand.

5.2 Tenure Profile

Figure 5.2 shows the tenure profile within Exeter, and more locally at 1km and 2km distances from the Summerland Street site. It shows that whilst the majority of households within 1km of the subject site (44%) live in homes they own, this is below the local and national trend. When expanded to an area of 2km from the subject site, this rises slightly to 51% but still sits below the proportion of owner-occupied homes in Exeter (60%) and Great Britain (64%). This is an expected trend for a city centre location, which is closely linked to the unaffordability of home ownership in the locality. Increasing to the 2km radius demonstrates a higher proportion of more affluent households further away from the city centre with a higher proportion of highly renumerated jobs.

Figure 5.2 Housing market profile

Tenure Profile (% of all households)	1km radius of EX1 2AF	2km radius of EX1 2AF	Exeter	Great Britain
Households	**9,920**	**26,367**	**55,382**	**27,745,087**
Owner/occupied	44%	51%	60%	64%
Social rented	13%	16%	16%	18%
Private rented	39%	29%	22%	16%
Other rented	4%	3%	3%	3%

Source: JLL, CACI

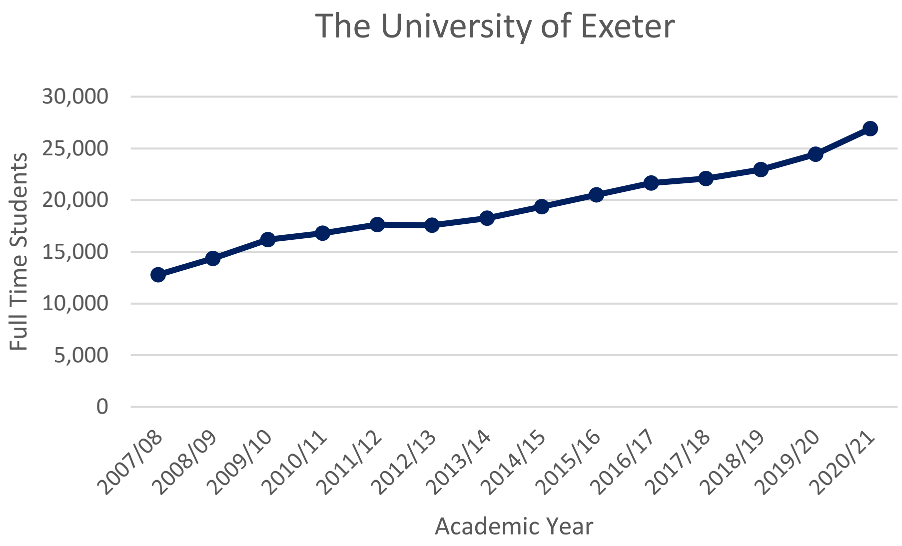
The difference between the 1km and 2km measures is accounted for by the much greater proportion of those privately renting near the city centre. Within a 1km radius 39% of dwellings are privately rented, which is mirrored by the lower trends both at a 2km radius (29%), in the city of Exeter as a whole (22%) and the trend across Britain (15%). This indicates that affordability to rent in the area is not proving an issue; well over a third of households are privately renting. Renting is more prevalent within the younger age bands and as identified previously, 62% of the population in the 1km area being aged between 15 and 35 this area is dominated by young people in their early careers both in and after education.

5.3 Central Exeter - The Student Housing Offer

Exeter is renowned for its strong education offering, with the University of Exeter being a Russell Group institution and the fifteenth highest ranked university in the United Kingdom with 5.5 applicants per place (Guardian League Table, 2022).

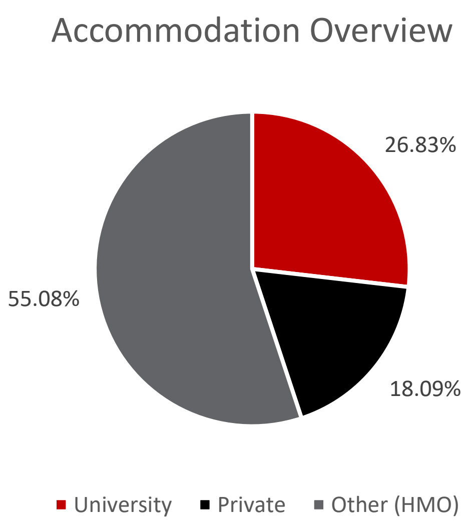
Despite in recent years COVID-19 having affected much of University life, demand in the student sector has risen to above pre-COVID levels. Take up in 2022 demonstrated an increased demand in the sector with lettings for this academic year (2022/23) showing strong year on year rental increases.

Figure 5.3 **Student numbers in Exeter**



Exeter has 26,900 full time students and only 7,218 bedrooms in university halls of residence. This indicates that 73.17% of students cannot obtain university accommodation. The private sector operators currently provide 4,866 direct let bedrooms. This represents 18.09% of full-time student numbers. The lack of student accommodation and increase in numbers of students is putting pressure on the private rental market in the city, with local workers being forced out of the city to commute from greater distances.

A total of 12,084 (44.92%) students can access purpose-built university or private sector accommodation, which indicates that 14,816 (55.08%) of students must obtain accommodation elsewhere. This shortfall is broadly made up from either Houses in Multiple Occupation (HMOs) or from students living with parents.



We are aware of a pipeline of 2,219 bedspaces coming to the student market in the city at various stages of planning. If the entire pipeline is built out, circa 14,303 full-time students (53.17%) will be able to access University (owned, managed or partnership) or other purpose built privately operated and managed accommodation. The remaining 12,597 (46.83%) full time students will still have to rely on HMO or the parental home for accommodation.

Of the 30,250 students in the city in 2021, 26% were post-graduates, many of whom seek more professional housing when compared to traditional student stock. The remaining 74% are undergraduates, typically spending 3-4 years in the city.

Figure 5.4 Full and part time student numbers in Exeter

The University of Exeter	Undergraduate	Postgraduate	Total	UK	International	% of International Students
Full Time	21,695	5,205	26,900	19,505	7,395	27.49%
Part Time	660	2,690	3,350	3,115	235	7.01%
Total	**22,355**	**7,895**	**30,250**	**22,620**	**7,630**	**25.22%**
% of Full Time Students	97.05%	65.93%	88.93%			
%of Part Time Students	2.95%	34.07%	11.07%			

(HESA 2020/21)

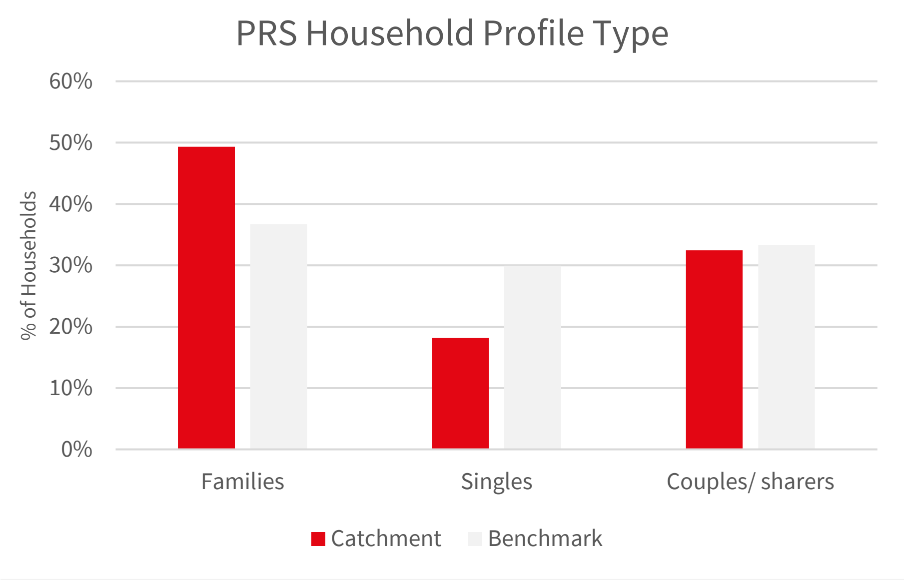
This high number of students in the city has not historically translated into a high retention rate of Exeter graduates, with few students deciding to stay in the city once graduating compared to other University cities. The local press attributes the low retention rate to a lack of quality affordable housing and high-quality graduates job in the city. This missed opportunity is well recognised and Devon County Council is supporting the University of Exeter's efforts to increase the number of graduates staying in the area. The University 'Graduate Business Partnership' scheme brings together the best of South West businesses with talented bright graduates. This intern scheme assists the employment process for businesses and offer ongoing mentoring and support for graduates in their careers.

The above initiatives, in conjunction with the provision of affordable and high quality accommodation, in the form of a Co-Living provision is likely to prove beneficial in addressing the lack of retention of Exeter graduates once they have left university.

5.4 Co-living Demand

As can be seen in the below graph using Dataloft data, 32% of all rental properties in Exeter are occupied by couples and sharers and 18% by singles; accounting for just over half of all tenants. A Co-living development typically targets these categories of renters as they are attracted to a Co-living proposition. This is because it provides a more professional level of sharing for those currently in shared accommodation, and offers private space combined with social interaction which appeals to singles. The high proportion of sharers and singles in Exeter shows the wide tenant pool for a Co-living development and provides the opportunity for these residents to experience a more professional accommodation offering.

Figure 5.5 **PRS tenant profile in Exeter**



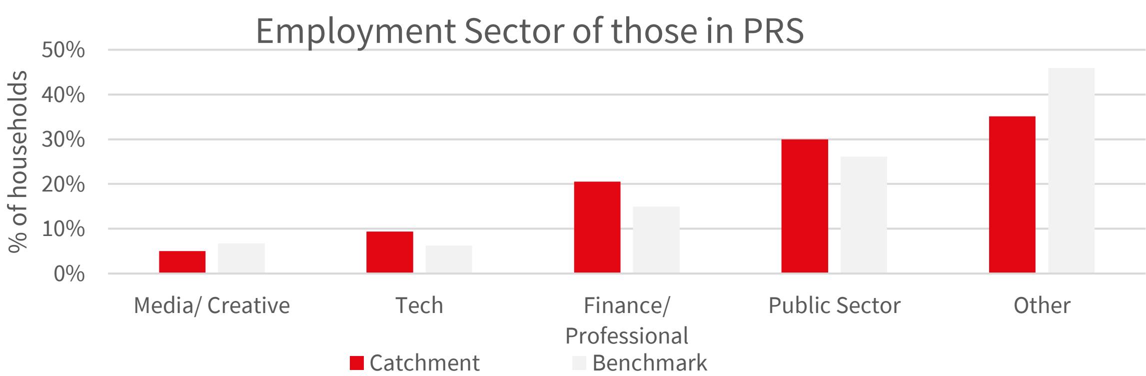
Source: JLL, Dataloft, 2023

From data obtained from Dataloft, we are aware of several characteristics of the rental population in the city of Exeter that demonstrate the suitability of Co-living.

Of those who rent in the city of Exeter, 36% are aged between 22-29. This demonstrates the large proportion of young people who are currently renting, and this age bracket is the target for a Co-living development. These young people will be attracted to the affordability and lifestyle that a Co-living development offers, establishing a strong demand for a Co-living product. Further, the movement of these young people out of HMO's and shared housing will start to free more family-based accommodation for rent or private sale.

These renters are employed in various sectors, with a high proportion employed in the public sector and finance/professional occupations.. Further, those in professional jobs are more likely to be drawn to high quality accommodation located near their place of work. **Figure 6.5** demonstrates the various employment sectors of renters.

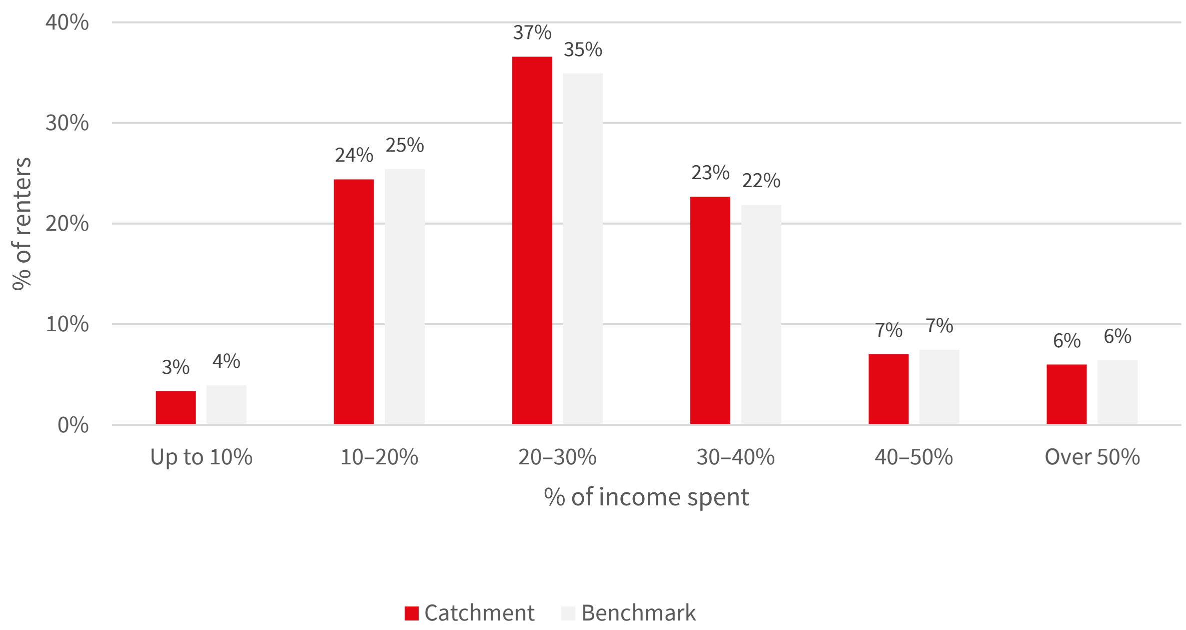
Figure 5.5 **PRS tenant profile in Exeter**



Source: JLL, Dataloft, 2023

In the city of Exeter, the average income of tenants privately renting is £28,080. Over 70% of tenants spend over 20% of their income on rent, with the average tenant in this category spending 25.9% of income on rent. The full picture of how much tenants spend on rent can be seen at **Figure 5.6**. Please note, the figures quoted below for privately rented stock are net of utility bills and council tax.

Figure 5.6 Percentage of Gross Income spent on rent in the PRS



Source: JLL, Dataloft, 2023

From **Figure 6.6** we can see that the highest proportion pay between 20-30% of their income on rent, but there is also a high proportion of the population who spend 30-40% of income on rent. A Co-living product will help the City to have provision for a wider range of rental product choice for local residents which could assist with providing more accommodation at a wider range of price points suitable for individuals'' income levels.

We are also aware that the majority of tenants who rent in Exeter chose to stay in the area when moving to new rental accommodation. **Figure 6.7** demonstrates that the majority of tenants (28%) moved up to one mile to their latest accommodation, with a further 12% having moved between 1-2 miles. This demonstrates the loyalty that tenants in Exeter have to the area, showing the reliability of tenants. The table also demonstrates a large number of those moving to Exeter from 50-200 miles away, and an also increased percentage (7%) moving to the city from overseas when compared to the wider Devon area. This supports the high inward migration of residents to Exeter, further supporting the need to provide accommodation for these new residents.

As detailed in Section 4, one of the fundamental differentiators of Co-living as a product is its focus on community through the provision on increased amenity space, on and off-site activities and shared areas aimed at fostering a community spirit of like-minded people. This provides the residents moving into Exeter from further afield a great opportunity to embed themselves into a community and will likely be very well received.

Figure 5.7 **Distance Tenants Moved To Their Latest Accommodation**

	Up to 1 mile	1-2 miles	2-5 miles	5-10 miles	10-25 miles	25-50 miles	50-100 miles	100-200 miles	Over 200 miles	Overseas
	28%	12%	9%	4%	9%	5%	7%	16%	3%	7%
Benchmark	24%	10%	12%	11%	10%	5%	6%	14%	3%	4%

Source: JLL, Dataloft, 2023

6. Exeter Existing Supply & Pipeline

6.1 Existing Supply and Pipeline

Exeter is a relatively small city, and due to the limited number of available sites in the city there is significantly less existing purpose built stock in comparison to other cities in the UK. Build to Rent is still a new concept to Exeter with only one operational development.

Figure 6.1 Living developments in Exeter

Scheme	Address	Units	Stage	Operator / Investor	Completion	Sector
PLATFORM_	Southernhay Gardens, Exeter EX1 1NP	92	Operational	Platform / Invesco	2018	BTR
The Gorge	Gladstone Rd, Exeter EX1 2EB	133	Operational	Fresh (FPG)	2022	Co-Living

We are also aware of the following pipeline:

Figure 6.2 Pipeline of Living developments in Exeter

Scheme	Address	Units	Stage	Operator / Investor	Completion	Sector
Exmouth Junction	-	230	Under Construction	Eutopia Homes / Grainger	TBC	BTR
Harlequins Centre	Paul Street, EX4 3HJ	383	Planning Achieved	Curlew	TBC	Co-Living

As can be seen from **Figure 6.2**, there are circa 613 units coming forward in Exeter, with over half of these having gained planning permission.

Despite Build to Rent and Co-living having some stark differences, they are both the provision of professionally managed units, and therefore should be analysed together to ensure there is not an oversupply of units in any market. With only one operational Build to Rent development, and one in the pipeline, there is still a need to supply professionally rented accommodation in Exeter.

Having only one operational and one pipeline Co-living development in Exeter could provide an advantage for McLaren as you can look to be advantaged by early mover status in the city in terms of providing a pure Co-living asset. Further the relatively strong supply of private for sale units and undersupply of private rented units, demonstrates that Exeter requires a diversification of the residential accommodation that is coming forward. Co-living will provide residents with a professionally rented product, which has been proved to be desired from aforementioned market drivers. With a Co-living development, Exeter has the chance to improve their supply of professionally rented units and offer residents a wider range of housing options.

7. Conclusion

7.1 Conclusion

Over the past decade, the expansion of living as an institutional investment sector has broadened worldwide. The sector's profile and its share of capital flows globally have increased from 15% in 2010 to 32% in 2022. Living is now the largest property investment sector in the world and, within this expansion, Co-living is a growing sub-sector.

Taking a ten-year view, the number of those privately renting has increased significantly (from 3.8 million households in 2011-12 to 4.6 million in 2021-22) due to several continuing societal shifts including the unaffordability of home ownership and increased urbanisation. Indeed, the prevalence of the PRS in Exeter as an important housing tenure, housing 29% of households within a 2km radius of the subject site, illustrates this demand locally.

Yet despite growing rental demand, of concern is the reduction in proportion of the PRS within English housing provision generally since 2016-17. Since 2017-18, landlords not owning properties in companies have faced higher tax obligations from their investments and new supply to the sector has fallen back. This gap has been filled, in part, by the rise of larger scale capital in terms of Build to Rent, PBSA and Co-living who seek to develop new build, high quality rental homes for long term investment. Exeter has seen some investment in this area, but there is capacity for more.

The subject site at Summerland Street is located in a practical position for access to the city and local amenity. With the city centre a short walk away and strong transport connections to both the city centre and to access the South West region, this site presents an attractive location for a Co-living scheme. The city suffers from a lack of new-build stock coming forward in both the private for sale and professionally rented market leaving a notable market gap for the proposed development to fill.

The subject site proposes a 167 unit Co-Living development over seven stories with 741sqm of communal space internally plus a roof terrace. Co-living is a rapidly growing and evolving sub-sector of the wider Living sector in the UK which represents a unique and purpose-built solution to people's modern rental needs. It provides a customer-focused modern solution for the significant proportion of the population currently living in shared environments in traditional HMOs.

Young professionals are one of the key target demographics for Co-living developments, areas with a high proportion of the Rising Prosperity population will be of paramount importance to the success of this accommodation offering. The high percentage of this demographic in both a 1km and 2km radius from the site demonstrates the strength of Exeter as a location for Co-living. This supports the investment case for the proposed development.

Looking more practically, Exeter is a desirable residential location due to its position within the South West of England's economic framework. The subject site on Summerland Street is located in a convenient position for access to the city and in the heart of the wider area of local amenity offered within Exeter City Centre. With the city centre a short walk away and strong transport connections to both the city centre and to the wider South West region, this site presents an attractive proposition for a Co-living scheme. Residents at the scheme would be able to circumnavigate the locality without the need of a car.

In terms of housing supply more broadly, Exeter is facing increased pressure on its housing market due to both increasing population growth and a structural undersupply of housing. The population in Exeter is forecast to continue to grow at rates above the UK average. This increase in population is met with a continued undersupply of homes in the city with the current shortfall of in excess of 3,000 homes expected to continue for the next 5 years.

This increased pressure on the housing market demonstrates a need for an increase and diversification of housing in the city. A Co-living development will contribute to both of these and will help Exeter begin to address the housing needs within the city. The subject scheme would be specifically targeted to deliver new build and high quality rental accommodation but at a more affordable price point to modern Build to Rent product being considered for the City.

The single Build to Rent development and single Co-Living development in the pipeline are not sufficient to meet Exeter's current undersupply of housing, and supply of new build, quality rental accommodation in particular. This lack of professionally manged rental products in the pipeline presents an opportunity for a Co-living development to provide this for local renters.

Exeter's rental market comprises of 32% couples and sharers and 18% singles, which are considered to be the target market for a Co-living development (particularly the sharers and singles within this rental population). This demonstrates a large pool of potential tenants who would benefit from a Co-living scheme. Further, 36% of renters are aged 20-29 and are primarily employed in the public and professional services sector. These are both target demographic groups for a Co-living development as they are attracted to high quality accommodation close to their places of work.

Currently, 73% of tenants are spending over 20% of their income on rent, with the average tenant in the City spending ~26% of income. However, critically, 36% of renters spend over 30% of their income on rent which demonstrates the importance of continuing to look to reduce unaffordability of a substantial amount of the current rental accommodation in Exeter. This highlights the need for a relatively affordable rental product such as Co-living.

The general demographics for Exeter and the area surrounding the subject site are supportive of Co-living with both a high student and young professional population.

The large student population has not translated to a high student retention rate for Exeter, which is largely attributed to both a lack of jobs and unaffordability of housing. A Co-living development would provide both a unique housing option for graduates and would also address the issue of unaffordability. Furthermore, the provision of additional, purpose built accommodation in the form of co-living will help to ease the pressure on larger 'family' houses being converted to HMO's which ultimately provided a compromised living solution (as detailed in Section 1.5).

Overall, due to the strong position of the subject site and the suitable demographic, our analysis is supportive of Co-living within Exeter and more specifically at the subject site. Further, we believe that Exeter is in need of a professionally rented product such as Co-living to help address its issues with undersupply of housing and unaffordability of current housing options.

Appendix 1: Instructions

Instructions

Client Brief and Purpose

This report has been prepared in response to instructions received from McLaren (Exeter) Limited in accordance with a Terms of Engagement Agreement executed on 7 February 2023. A copy of the Terms of Engagement Agreement is appended to this report at **Appendix 1**.

This report provides Co-living advice in connection with the site known as the "Land at Corner of Summerland Street and Red Lion Lane, Exeter, EX1 2HF", which we refer to in this document as the 'Summerland Street site'. As per email correspondence, we understand you are applying for planning permission to operate this site as a Co-living scheme and we understand the report will be used to inform McLaren's ongoing due diligence process and be provide to form part of the planning submission. For the avoidance of doubt we accept no liability to any third parties including the local authority and their planning team.

Reliance Upon Report & Republication

As per email correspondence, the report and advice is provided on the understanding that it is to be used solely for the purpose stated in this letter and will not be shared by you or used for any other purpose.

We are not instructed by you to provide any formal Red Book valuation, condition or other advice which may be relied upon by you, or any third party, for the purposes of taking any financial decision regarding a potential sale or letting. Any information provided by us, including financial details or any indication of price or rent, will not be carried out in accordance with the valuation standards of The Royal Institution of Chartered Surveyors (RICS).

Date of Report

Draft Publication Date	9 March 2023
Final Report Publication Date	23 March 2023

Information

Property information has been supplied by McLaren (Exeter) Limited, however, its accuracy cannot be verified by JLL. Should it be revealed that any of this information is inaccurate or misleading so that its use would affect this study, then we reserve the right to amend our opinions without liability.

This report is confidential to the instructing party and it is a condition of its receipt that the contents and conclusions shall not be copied or divulged to any third party without the consent of JLL.

Personnel

The following JLL personnel have been involved in the preparation of this report:

Role	Personnel	Role
Co-living specialist	Wilhelm Wrede Associate Living Capital Markets	Market research and co-author of report
Living sector investment analysis	Paul Winstanley Senior Director Living Strategic Advisory	Market research and co-author of report
Demographics assessment	Beth Hill Director Living Strategic Advisory	Demographics analysis and co-author of report
Peer review	Simon Scott Lead Director Living Capital Markets	Peer review

Conflict of interest statement

We confirm that JLL does not have a conflict of interest in preparing this advice. We are independent with respect to McLaren Property and the engagement was performed independently, objectively and without bias towards the client or others. JLL have no material connection or involvement with the land parcel, or the party commissioning the stud

SEE A BRIGHTER WAY

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