

News monitored for: Lemon Tree Hotels

# BED, BREAKFAST & APP

Students and young professionals are escaping temperamental landlords and taking refuge in co-living spaces – the modern and glamorous cousin of the PG digs of the past

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# Bed, Breakfast & App

Students and young professionals are escaping temperamental landlords and taking refuge in co-living spaces – the modern and glamorous cousin of the PG digs of the past

**:: Rahul Sachitanand**

**T**avarakere is something of a mecca for millennials working across Bengaluru, who need a cheap place to live. The locality, in the south east of the city, is a warren of narrow, congested roads, with apartment buildings standing cheek by jowl with budget restaurants, grocery stores, salons and realtors' offices.

At 8 pm on a warm Thursday, working executives and students stroll about grabbing a bite from a corner kebab store, headed to a dive bar for a beer or bought eggs for breakfast the next day. On the streets, residents buzz about amidst the waft of deep fried food and fresh fruit being sold off hand carts.

The locality is a hub of millennial executives and students, being close to Christ University, a large education institute, and under half an hour from Electronic City, home to the campuses of Infosys and other marquee names in tech. The startup hubs of Koramangala, HSR Layout and Bellandur are also close by.

At nightfall, they will all cram into rooms in one of 500 hostels and paying guest accommodation

## TL;DR

- A raft of startups are recasting the unorganised space for shared living
- Beyond a bed, they aim to build a more social residence for young residents
- Large investors and real estate firms are also eyeing a piece of the pie
- Large rivals including We Live and Oyo are muscling in too



Co-living spaces **20% costlier** than old-school paying guest accommodations and hostels

New co-living spaces in huge demand, with **occupancy at over 80%**

Interstate migration rate **doubled to 4.5% in 2001-2011** compared to previous decade

Workforce in India likely to **increase to 600 million by 2022**, compared to 473 million in 2018

Between 2013-14 and 2017-18, number of new colleges rose by **25% triggering a rush for student accommodation**

## Targeting millennials



Source: Morgan Stanley Research & Knight Frank

## Stanza Living

Beds: **2,000**  
Cities: NCR & Bengaluru  
Investors: Sequoia Capital, Matrix Partners & Accel Partners  
Expansion: **Adding 3,000 beds this year**



*"We want to build a hospitality-led business in the premium student accommodation market"*

Anindya Dutta,  
Cofounder

that cram the neighbourhood. Most of these places offer residents a room and sometimes food, charging upwards of ₹3,000 per bed per month.

Young professionals and students are at the mercy of owners and agents, who decide amongst themselves who gets in and who's banned. Rules are arbitrary and often over-bearing for young adults [curfews, no friends or family, vegetarian fare only], making the experience of house hunting for these millennials one long-drawn nightmare.

Bengaluru landlords typically demand 10 months' rent as deposit, for example, and that's a heavy burden for

someone starting out in their careers while living away from home. It is into this mess of arbitrary demands, unkept promises and all-around disarray that a glamorous cousin of hostels and PGs has checked in – the co-living space. A number of hospitality companies are now expanding in this market, offering clean and comfortable dwellings and hygienic food, clear policies and pricing, on-demand services through apps, and a collegiate atmosphere with group activities, performances and that ultimate marker of casual, cheerful spaces – foosball.

If co-working has taken the world of work by storm, the

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belief seems, co-living could well be the next big trend for young professionals and students.

**Plug & Play Stay**

Zolo Stays, one of India's largest providers of co-living accommodation, is trying to stand out in the Tavarkere din. There are at least 20 to 25 accommodation options on the road where Zolo Destiny, one of the firm's units, is located. This five-floor building, a new unisex property, has 200 beds. Current occupancy is 50%. The average Zolo property has 160 beds and the smallest units have 50.

Company executives say another 20% of capacity at Zolo Destiny will be filled in weeks. This is a premium offering, with foosball, table tennis, carroms and a gym, with an indoor cricket pitch being laid to coincide with the start of the latest edition of the Indian Premier League tournament.

Inside, each flat comes with a refrigerator, kitchenette and basic utensils. There's a kitchen on premises and menus are constantly tweaked based on resident feedback.

"We have premiumised the previously unorganised market and are streets ahead of the competition," Nikhil Sikri, Zolo's CEO and co-founder, said. Two months from now, the company will also launch a community product to give residents more reasons to hang out together and a one-stop platform to socialise.

At Zolo Destiny, Anshuman Jayant, 22, does a quick jig after scoring a goal at the foosball table. He moved into this property with six of his BITS Pilani classmates nine months ago and

loves the plug and play environment. For Jayant, who works at a startup 20 minutes away, this building works well. They initially took the usual route, hunting for a shared apartments or a PG, but found this far more convenient, given their crazy work days.

"Everything here—from booking the room to paying for it and add-on services—are done on the app. So it frees us from the typical headaches of fixing utilities, finding help and housekeeping," he says.

Viral Chhajjer, the co-founder of Stay Abode, another co-living player, is putting the final touches to a 1,400 bed in the tech hub of Whitefield. This will more than double the firm's 1,200-bed capacity. "We want to focus on building a community and give them a place like home," he says.

Across Delhi, Mumbai, Chennai, Hyderabad and even in the education hub of Kota, such co-living ventures are taking root. For instance, Hyderabad, with some 400,000



DEEPAK G. PAVAR

**Zolo Stays**

Beds: **20,000**

Cities: **7**

Investors: IDFC Alternatives, Mirae & Nexus Venture

Expansion: **50,000 rooms by 2020**



*"We have premiumised the previously unorganised market and are streets ahead of the competition"*

Nikhil Sikri, CEO & cofounder

**I was so troubled by the fact that I didn't know my mind [whether to enter politics or not in 1999], I just disappeared and went for 10 days of rather than what other people want**

**How costs stack up**

**Koramangala, Bengaluru**

Rent for fully furnished flat (125-165 sq ft)	₹27,000-35,000
PG- single occupancy (160-170 sq ft)	₹13,500-14,000
Service apartment (120-150 sq ft)	₹75,000-106,000
Co-living (120-170 sq ft)	₹12,000-17,000

Source: Knight Frank

new seats being built out in the outsourcing space, could easily evolve into India's co-living hub.

For students who arrive in a new city, these facilities are emerging as top options.

Eighteen months ago, Gunjan Bansal arrived in Delhi from her hometown of Chandigarh to start her Bachelor of Commerce (Honours) from Shri Ram College of Commerce. As a newcomer to the city, she did the usual rounds of hostels and PGs, but found little to her liking.

"This is a much more social experience for someone who is new to a big city," the 19-year old says. "As a social person, the group activities, including movie nights, music and bonfires are all welcome distractions from classes and course work."

Bansal has had a good first year at a five-floor facility run by Stanza, rather modestly named Los Angeles. Her roommate is a fellow-Chandigarh resident, now a friend, and she has also made other friends at the place. The location, close to Delhi University, means her commute is just five minutes.

In cities hustling with entry-level coders and educations hubs such as Delhi and Pune, there's something of a co-living boom afoot.

Beyond adding a layer of technology to ease service delivery, these players also focus on the experience, nudging



**CoHo**

Beds: **3,000**

Cities: NCR & Bengaluru

Investors: Angel investors including serial entrepreneur Sachin Bhatia

Expansion: **Hyderabad and several other cities**



ASHWANI NAGPAL

*"This is a consumer lifestyle business, not a real estate of technology"*

Uday Lakkar, Founder & CEO

(Left) Amber Sajid, COO

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residents to socialise rather than retreat quickly to their rooms after they return from work or college.

If these residents earlier spent extra hours at work-thanks to free airon and broadband-over dodgy PG digs, that trend is reversing. "This accommodation is much more comfortable and service more reliable than old-world options," says Kaniika Dhupar, an executive with a public relations firm, who lives at a Coho property in Gurgaon. "It is minutes away from a large market and the metro, making it much safer for women."

Safety for women residents is a big reason for them to opt for residences such as CoHo, which offer security all-around-the-clock, biometric access control and accessible locations. "I looked at many places, but for someone new to the city, this offered a soft landing and a clean, hygienic accommodation option," says Tanvi Vyas from Vrindavan in Uttar Pradesh.

Besides more vibrant common areas, these companies are organising events, tying up with brands to offer discounts and promotion to residents and offering adjacent services [think CV writing for final year students] to keep them engaged.

Today, the overall market share of rental housing in India can be anywhere between 35-45% of the total residential market, according to estimates from real estate consultants.

This share of rentals is increasing, especially rapidly in urban areas, which account for more than two-thirds of the rental market. In the 2011 census, 28% of respondents

**Co Live**  
Beds: **11,000**  
Cities: **3**  
Investor: Ncubeate Capital  
Expansion: **25,000 beds by March end**



DEEPAK G PAMAR



*"By 2022, we largely believe the word co-living will replace phrases such as hostels and PGs in common usage"*

Suresh Rangarajan, CEO & cofounder

*We want to focus on building a community and give people a place like home*

Viral Chhajer, Cofounder



DEEPAK G PAMAR

**Stay Abode**

Beds: **1,200**  
Cities: Bengaluru  
Investors: Anupam Mittal and others  
Expansion: **Another 1,400 bed unit in Bengaluru & foraying into Hyderabad**

said they were renters, but experts think that number has spiked sharply in the past few years.

According to IMF's last estimate in 2016, India's residential rental market was estimated to be a more than \$20 billion market comprising of \$13.5 billion in urban areas, \$0.8 billion in rural areas, and \$5.7 billion of vacant properties held by non-resident Indians living abroad.

If the opportunity appears massive, bringing some of this into the co-living market is harder than it appears. While old school PGs are upping their game [yay, free wifi] to cling on to market share, newer players have the additional burden of finding either several floors in a building or an entire complex to suit their needs.

Industry executives say doing this is difficult. Existing three and four bedroom flats are mostly rigged for family living [puja rooms, servants quarters], which offer little to companies building co-living spaces. Instead, these companies are pushing real estate companies to increasingly construct custom facilities for them.

It's not as if everyone's happy, however. While some of them offer seemingly prime places [Zolo has an infinity pool in one Bengaluru property], some residences can be rather bare. Several students told ET Magazine that they discovered how poor their room looks only once they landed up and had to change rooms and bookings twice or more before settling down.

Elsewhere, 22-year-old Jaya Purwar, a Zolo resident, complains that some old rules die hard-friends and family aren't allowed to stay late or stay over, despite her facility being unisex.

While many co-living players got off the ground a couple of years ago, they seem to have hit critical mass only now, netting funding to back ambitious expansion plans and recast singles accommodation nationwide.

"This is a consumer lifestyle business, not a real estate or technology one," says Uday Lakkar, co-founder and CEO of CoHo, a co-living provider with 3,000 beds operational and thousands more in the works.

**Market Ripe for Biggies**

As millennials look beyond staid co-living places, the newcomers to this market have their work cut out. The

devil may be in the detail. For example, at Co Live, standard iron beds have been replaced by customised ones and low-cost, cotton-stuffed mattresses with pricier options.

"For our target group, style is an important factor when they consider a place to live," contends Suresh Rangarajan, CEO and co-founder of the venture. "To friends and family, they want to appear style-conscious."

Co Live is spending time and money sprucing up its premises with modern furnishings, fitness and games rooms and has started rolling out facial recognition access to properties. By standardising these offerings and aggressively using technology, Co Live plans to have 100,000 beds operational in three years.

Stanza, which focusses on the student population, on the other hand, has tweaked its offering focused on its core demographic. Backed by marquee investors such as Sequoia and Accel, this co-living services provider runs an initiative called Stanza Social [think games night] and Springboard where residents are offered career-focused services including CV writing and app building.

Having helped fund, grow and sell a co-living venture in the UK and Europe, for around a billion dollars, co-founder Anindya Dutta now wants to do an encore in India. "We want to build a hospitality-led business in the premium student accommodation market," he says.

Stoked by the size of the opportunity, the biggies are now coming into this space. Over the past few months, Soft-Bank-backed global co-working major WeWork has been piloting its WeLive unit in India, tying up with real estate firm Embassy Group. OYO, the hospitality platform valued at \$5 billion, waded into the market with 2,000 beds across five cities, with plans to hit 50,000 beds by the end of the year.

Hotel chain LemonTree has tied up with private equity giant Warburg Pincus for a co-living foray too. New age co-living providers say that they are being inundated by interest from large realtors who are looking to get a piece of this pie, too.

Industry executives say the inflection point for this industry may now be around the corner. "By 2022, we largely believe the word co-living will replace phrases such as hostels and PGs in common usage," says Rangarajan, CEO of Co Live. ■

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**Growth potential**

Current size **\$120 million**

Forecast for 2022 **\$2.2 billion**

Source: RedSeer