Warburg Pincus-Lemon Tree Hotels targets 100,000 beds in co-living biz

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After shared transportation, services, and workplaces, it's the turn of shared living spaces to create disruptions, this time in the lease rental market.

If the plans charted by Homestede Living, the co-living business of Warburg and Lemon Tree announced last month, is any indication, the concept of shared accommodation is going to take off in a big way. Homestede plans to offer 100,000 beds over the next six years.

An experience in the hospitality business, he said, would come handy in offering the desired quality experience at an affordable cost. Sharma is looking at a return of 14 to 15 per cent of the investment being made.

To start with, Homestede will have an asset light model - manage the existing properties and lease properties from real estate firms that have unutilised properties.

In the next phase of expansion, it will also have greenfield properties. Depending on the location and the prevalent rent in a particular city, the charges will vary from Rs 1,000 a bed per month.

Homestede has also plans to tap into markets outside India in the next phase as Warburg Pincus is operating similar businesses in Hong Kong and China, said Sharma.

WHAT'S THE BUZZ

- Homestede targets to offer 100,000 beds in 6 years
- Will have a pan-Indian presence, including towns
- Eyes 14-15% return on investment from the new business
- 72% (18-23 yrs) respondents of a Knight Frank survey prefer co-living space
- 68% of millennial respondents prefer co-living businesses

business last week. While it will hold a 68 per cent stake in the venture, Lemon Tree will own 30 per cent. The remaining 2 per cent will be held by Lemon Tree Chairman Patanjali Keswani. The partners will initially invest Rs 15 crore in equity and 20 per cent of the time period of an additional equal infusion of the option of the partners to develop rental housing projects.

Earlier this month, Knight Frank India, an international property consultancy, launched a report that said 72 per cent of millennials prefer co-living spaces and more than 56 per cent of the respondents in the age group of 18-35 years are willing to rent co-living spaces.

The survey also showed close to 40 per cent of all respondents are most comfortable in paying between Rs 1,200 and Rs 1,800 per month towards rental housing in big cities. The sweet spot for rentals, thus, remains at a monthly outflow of Rs 1,000-1,500, it said.