URBIS

LIVING SECTORS MARKET INSIGHTS

July 2025

SPOTLIGHT ON CO-LIVING

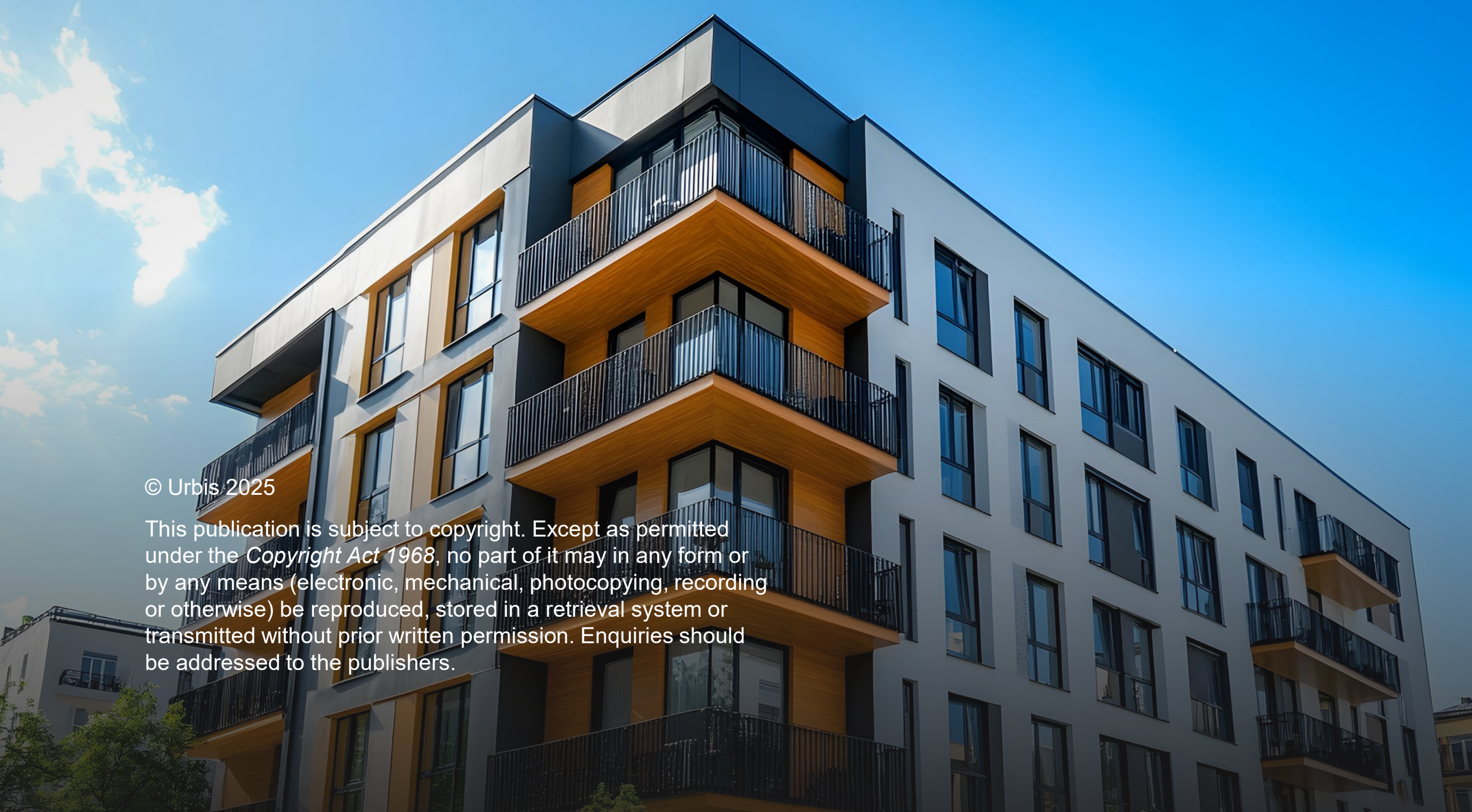
In this edition of Living Sectors Market Insights, we take a look at the growth of co-living in the Australian market.

While co-living is well-established in the UK and US, it has only recently begun to emerge in Australia.

The typology shares similarities with Build- to-Rent (BTR) and purpose-built student accommodation (PBSA), though is distinct from both. Planning regulations and the market across Australia are both racing to catch up.

Importantly, how this typology is taken to market can look different depending on the objectives and approach of the developer, investor or operator – be it co-living, urban living, rooming accommodation or key worker housing.

As the market continues to develop, we are seeing different trends in different states, with some recent transactions and approvals providing key glimpses into the market's appetite and direction.



CO-LIVING STATE OF PLAY

While co-living is well-established in the UK and US, it has only recently begun to emerge in Australia.

Current Enablers

It is clear that whilst in its early phases, certain locations are seeing more co-living activity than others. There are clear enablers at play, with locations possessing these enablers seeing increased activity. These enablers are summarised below.

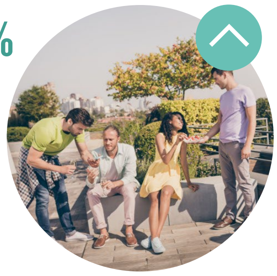
- Planning pathways that support co-living and provide developer certainty
- Limited new housing supply and increasing rental prices for traditional typologies
- Continued growth in single person households
- Development site land price escalation
- Revenue per square metre premiums over other typologies
- An existing understanding of the typology from the global market.

Local Drivers (national)

25.7%

SINGLE HOUSEHOLDS

Increase by 25.7% to 2036 (or 222,500 additional households)



25.6%

GROUP HOUSEHOLDS

Increase by 25.6% to 2036 (or 34,000 additional households)

Apartment Rent Growth (major capital cities)

International Trends

Across global markets, the co-living market is underpinned by affordability and demographic changes.

The model typically targets renters aged 25-40, generally focused on singles and in particular young professionals/students, who are more accustomed to share-house style living arrangements. To a lesser extent the model does have appeal with multi-family households seeking affordable, flexible and community - focused living.

SUPPLY – HOW AUSTRALIA COMPARES

Australian Supply

The supply of co-living units in Australia continues to grow, with more than 1,800 co-living units delivered to date.

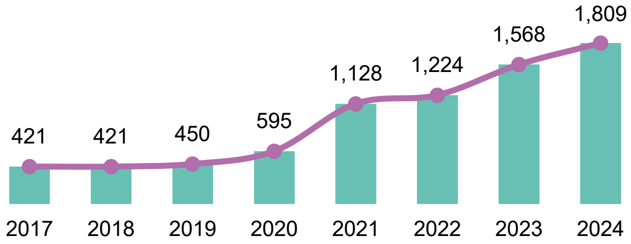
Most of the current supply stock of co-living units is found in Sydney (around 70%), followed by the balance of the total in Melbourne.

Around 1,386 co-living units are currently under construction and expected to deliver an average of 460 additional units over the next three years to 2027.

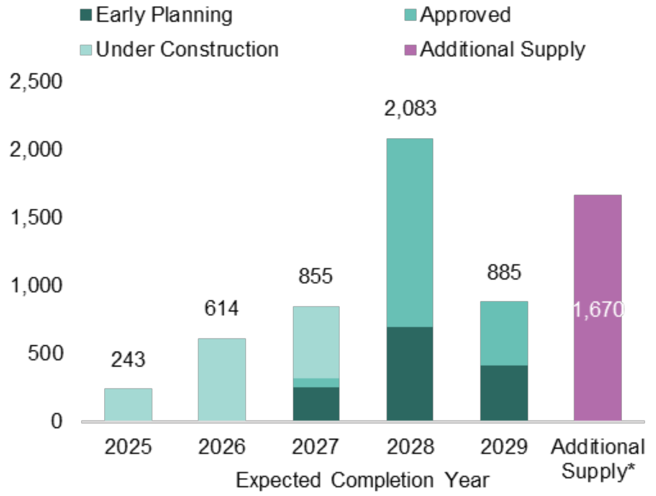
The future pipeline also contains another 4,960 in early planning or with development approval.

Delivery of the full pipeline of these projects would more than triple the existing market, however even this represents a drop in the ocean compared to the future growth in single households – highlighting the potential of co-living in the Australian market to help ease demand pressures and provide innovative living solutions in our cities.

Australian Co-Living Stock (Units)



Australian Co-living Pipeline (Units)



** Note completion year for additional supply is yet to be determined.*
Source: Urbis

How do other markets compare?

Country	Operational Beds	Planned Beds	Market Status
US 	**74,000** co-living beds are active across major cities (typically located in New York, Los Angeles and San Francisco).	The pipeline is **growing steadily** but fragmented, led by private-sector initiatives. Targeting both **young professionals** and **digital nomads**, often co-located with mixed-use or BTR developments.	The US market is scaling via the private sector, supported by venture capital and institutional partnerships. Operators use tech-enabled platforms to manage leases, services, and community engagement, allowing for operational efficiency and rapid expansion.
UK 	**9,000** co-living beds are now in operation, many delivered in Greater London, typically large-scale, purpose-built, and institutional-grade.	**9,000+** beds have been submitted for planning, largely in response to formal recognition of co-living in UK planning frameworks.	The sector is institutionalising, with growing investor confidence, regulatory support, and an emerging set of standards. The model is increasingly seen as a viable sub-sector within the broader build-to-rent and urban housing ecosystem.

CO-LIVING PERFORMANCE COMPARISON

Performance

Co-living projects can achieve higher rent per square metre rates of between 22% - 76%. This impressive figure is largely due to the unique nature of co-living developments, which offer smaller apartment sizes compared to Build-to-Rent (BTR) and typical Build-to-Sell (BTS) models. Despite the reduced size, co-living spaces command rents that are comparable to other living sectors.

This is possible because co-living projects focus on creating a sense of community and shared amenities, which appeal to a growing demographic seeking affordability without sacrificing quality of life. By maximising space efficiency and fostering a communal living environment, co-living developments present a compelling model for urban living.

Inner Melbourne

Studio / 1-Bed	Local Melbourne Co-living project	Local Melbourne Build-to-Rent project	Build-to-Sell Central Melbourne
Avg. Rent	$677 p.w.	$690 p.w.	$580 p.w.
Avg. Size	36 sq.m	56 sq.m	54 sq.m
Avg. Rent per sq.m	$18.8	$12.3	$10.7
Co-Living Rent / Sq.m Premium		**+53%**	**+76%**

Note: Co-Living asking rents as at May 2025; BTR rents over the year to May 2025.
Source: Urbis Sources; Urbis Apartment Essentials

Inner Sydney

Studio / 1-Bed	Local Sydney Co-Living project	Local Sydney Build-to-Rent project	Build-to-Sell Inner Sydney
Avg. Rent	$790 p.w.	$1,316 p.w.	$880 p.w.
Avg. Size	27 sq.m	55 sq.m	51 sq.m
Avg. Rent per sq.m	$29.3	$23.9	$17.4
Co-Living Rent / Sq.m Premium		**22%**	**68%**

Note: BTR and Co-living asking rents as at May 2025; Inner Sydney rents over the year to May 2025.
Source: Urbis Sources; Urbis Apartment Essentials

INTERNATIONAL INVESTORS GO LONG ON AUSTRALIAN LIVING SECTORS

Investment fundamentals positive for international capital

Co-Living is poised to become the next key component in the Australian residential living sector. It offers core investors a stable investment class with consistent income streams, free from the volatility of major capital expenditures and tenant incentive fluctuations.

The emergence of PBSA in the 2010s and its maturation as an alternate investment class with core investment characteristics has given confidence for the BTR sector to emerge and rapidly establish itself in the Australian real estate context. Co-Living is now in the spotlight as the next evolution for investors in the living sector.

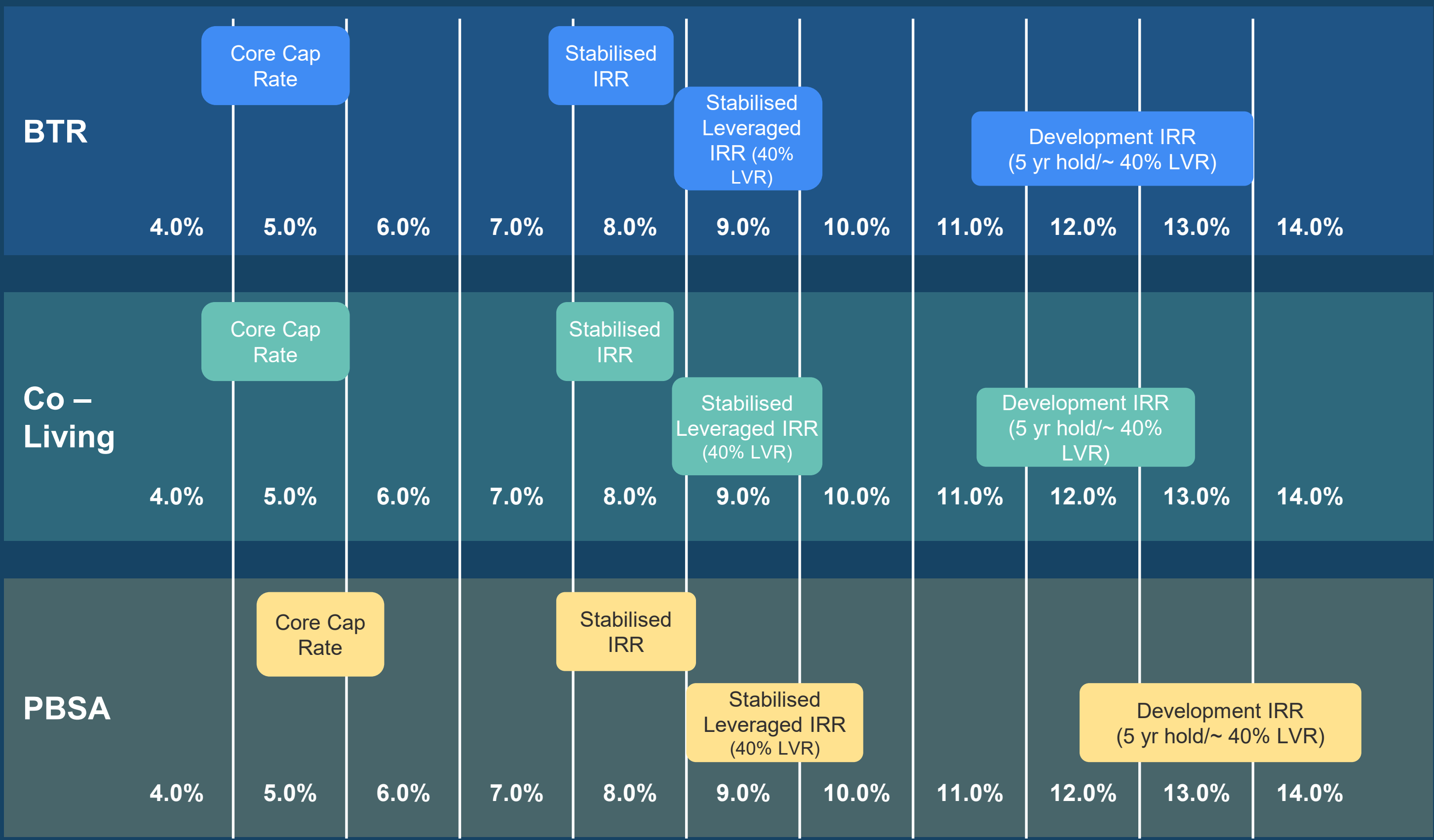
Through our International Capital Markets business, we are hearing from investors who are actively seeking Co-Living opportunities in Australia, alongside BTR and PBSA.

These investors are keenly aware of the continual demand for rental accommodation in Australia and the market drivers that support their long-term investment decisions. The potential for rental growth, driven by sustained population increases and housing undersupply, underwrites strong IRR performance across all asset classes.

As international investors from North America, Europe, and Asia (typically pension funds, insurance and conglomerates) seek to diversify their investments into stable and growing markets, the Australian living sector stands out as a compelling low-risk option with premium returns compared to other global markets.

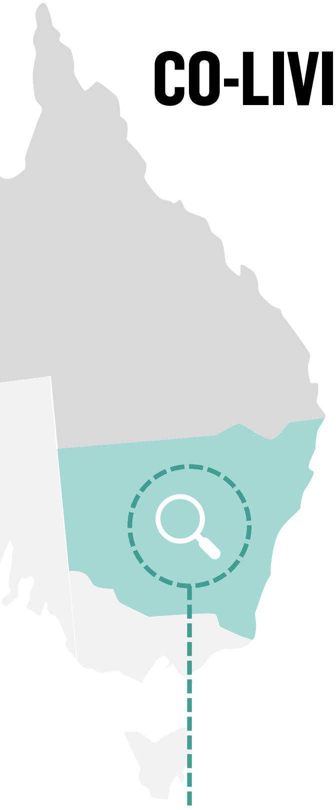
A key focus for our international clients is understanding benchmark returns in Australia, which we analyse and report on a continual basis to help inform and underwrite their investment decisions.

Australian Living Sector Investment Returns Analysis



IRRs are post development approval and pre-construction
Indicative Only based on broad market analysis of multiple projects across Australia.
Source: Urbis

CO-LIVING – A SYDNEY STORY



New South Wales

Sydney is the current hotspot of co-living activity in Australia. There are several reasons driving this activity including:

- Continued growth in demographic target markets
- Continued and increasing rental prices for traditional typologies
- High land prices for development sites (when compared to Melbourne and Brisbane)
- Newly established transport infrastructure
- Clear Planning Pathways and flexibility with apartment amenity standards compared to Built to Sell Apartments.
- Market participants who are familiar with this typology.
- Efficiencies in delivery and higher revenue per sq.m relative to BTR.

Co-living is often offered in repurposed buildings ranging from residential apartment complexes to ageing hotels or serviced apartments. One of the pipeline additions, apt.Residential, with the help of Urbis, has secured planning consent to convert a century-old Ultimo warehouse into a 160-suite, studio-only co-living development – see below.

In addition, CBRE's $31.5 million sale of the Potts Point Central Hotel marks the biggest strata amalgamation for co-living since the COVID pandemic.

~70% of the current supply stock of co-living units is found in Sydney

Case Study: 1-3 Smail Street, Ultimo

apt.Residential's newly approved development of 1-3 Smail Street and recent acquisition of 41-49 Mountain Street into a **$240m** co-living venture will deliver **260 fully-furnished studios** above a ground-floor retail space.

The planning approval for the adaptive reuse of the former Grace Brothers warehouse created innovative void spaces in the existing office building to maximise residential amenity, creation of an operable roof for light/ventilation and an incredible roof-top communal area for the building occupants, offering a clear precedent for future co-living schemes.

Andrew Harvey and **Stewart Doran** from Urbis led the planning strategy, coordinating heritage, design and affordable-housing inputs and guiding negotiations through the Housing SEPP framework. Working collaboratively with the City of Sydney Council, the Design Application was approved in just over 4 months following public exhibition.

Construction is expected to commence in late 2025 with completion slated for late 2026.

For investors and developers, the decision underscores both the regulatory appetite for professionally managed, ESG-focused co-living housing and the commercial viability of studio-led layouts in heritage-rich, high-amenity inner-city locations.

Moves in other states

Western Australia

Current state of play	To date there has been limited co-living developed in Perth. However, more development is being planned including the recently approved 174 suit conversion of the Elders Wool Stores in Fremantle. There is currently no specific planning definition for co-living in Western Australian Planning Schemes.
Pathways to market	Developments have been approved under the 'Residential Building' land use which avoids the need to comply with the 'Deemed to Comply' requirements of the R-Codes and allows greater flexibility for decision makers to approve.
Future state	Continuing low vacancy rates and rising rents are leading to more co-living developments being planned in Perth. Whilst there are no planning changes at this stage the existing provisions have been flexible enough to allow developments to be approved.

Victoria

Current state of play	Co-living in Victoria is currently the reverse story to Sydney – for the reasons of lower land prices and limited planning enablement. There is currently no specific planning definition for co-living in Victorian Planning Schemes.
Pathways to market	Melbourne proponents continue to side-step parts of the Apartment Design Guidelines by arguing that purpose-built co-living developments are Residential buildings, not Dwellings – a move that switches off the Clause 58 standards.
Future state	Whilst there are no real approvals or proofs of concept in Melbourne yet, we are now seeing enquiries coming through – particularly for adaptive re-use concepts, for example older office buildings.

Queensland

Current state of play	Like Victoria, there is limited application or approval activity for co-living in Queensland so far. Whilst there is market desire (and solid fundamentals) for typologies like Build to Rent, viability due to construction pricing and capacity is still a challenge with only luxury BTS and BTR seemingly feasible.
Pathways to market	As a performance-based planning system, there is sufficient flexibility to accommodate co-living proposals, included as 'rooming accommodation' (the same use definition for PBSA) with reduced parking and reduced private open space in exchange for shared amenity.
Future state	Upcoming Olympics infrastructure will further put pressure on construction, but Olympics will also create further demand for housing from a Planning perspective, the City of Brisbane's 2022 rule change that lets small rooming accommodation and co-living developments bypass impact assessment is due to expire in December 2025. With six months left, we expect new information on what's next soon. **Link**

LOOKING AHEAD – WHAT'S NEXT FOR THE LIVING SECTORS?

Australia remains attractive for investment

Australia's stable political and economic environment continue to see it as a reliable destination for investment. In addition, Australia offers a robust and resilient property market with consistent demand.

Recent trends in decreasing interest rates may drive favourable conditions for investment, particularly on long-term assets/investments where viability is marginal.

Shifts in capital allocation

While investment from off-shore capital remains strong, domestic capital is increasingly playing a crucial role in the investment landscape. Local investors are recognising the long-term value of the living sectors, from an economic, risk and societal perspective.

Product diversification and convergence

Broader market and sub-market conditions are driving investment allocations. Examples of BTR moving outside traditional infill locations are being explored. Diversity of living sector categories within broader portfolios is also seeing activity. Operational and management efficiencies are being utilised with investors and developers exploring traditional BTR, PBSA and co-living opportunities under their broader umbrella as well as more upmarket urban living typologies

Migration and student intakes

Co-living offers a more affordable and flexible housing solution compared to traditional rental markets, which is appealing to migrants who may not have long-term housing plans initially. Policy drivers therefore need to be monitored. Purpose-built Student Accommodation (PBSA) is often a recipient of migration and targeted education policies, with the industry registering 95% occupancy (Urbis PBSA Benchmarks) and a similar asset class to co-living.

AROUND THE GROUNDS

LAND LEASE

Paul Riga
Director
Brisbane

"The first half of 2025 has seen increasing levels of interest and site acquisition activity for Land Lease Communities (LLC). As viability challenges impact some typologies and geographies, LLC has seen activity on the back of land availability, efficiency in delivery and ability to enhance yield outcomes, as well as favourable demand drivers and broader housing supply issues.

BTR

"BTR assets have now been operational for a number of years in Melbourne with a strong initial uptake and occupancy now stabilized at +95%. This proof of concept shows this is genuine asset class outperforming market expectations. Future BTR opportunities include middle ring suburbs and townhouses.

Billy Rebakis
Director
Melbourne

CO-LIVING

Sophy Purton
Director
Sydney

"NSW is experiencing strong interest in the living sector as a whole, with co-living emerging as one of the preferred typologies, particularly around education nodes and transport hubs. More recently, developers are exploring up-market 'urban living' typologies, which form a blend between standard co-living and high amenity, BTR products.

CAPITAL

"Capital markets are increasingly concentrating on the living sectors, including BTR, co-living, and PBSA. This focus is driven by factors such as undersupply and demographic shifts. Offshore capital remains a significant player in this, with global investors drawn to the sector's stable yields and long-term growth potential.

Matthew Cleary
Regional Director
Melbourne

HOW URBIS CAN HELP YOU NAVIGATE THE LIVING SECTORS

URBIS

At Urbis, we are dedicated to supporting you with a proven track record in advising on a wide range of housing projects across Australia, tailored to meet your specific needs and project requirements. Our expertise spans various sizes, complexities, and delivery models, ensuring that we provide you with data-driven recommendations based on robust evidence, credible feasibility and financial assumptions, and extensive planning expertise, backed by over 50 years of project advocacy.

Our deep understanding of housing policy and the pressing issues facing Australia today, gained from working with federal, state, and local governments, allows us to navigate the complexities of housing development with precision and foresight.

With our national reach and a broad cross-section of specialist skillsets, we offer a holistic and integrated service that is both agile and collaborative, ensuring we can adapt to your evolving needs.

Whether you are focused on social and affordable housing, greenfield developments, or Build-to-Rent (BTR) projects, we are committed to delivering impactful, sustainable housing solutions that benefit communities across the country. At Urbis, we partner with you to create vibrant, resilient communities that stand the test of time.