Co-Living, Co-Working And Apart-Hotels: How To Embrace The Next Generation Of Building Models

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As I write, I'm sitting in a street-level cafe in the densest part of a burgeoning Midwestern city. The cafe is located inside a co-working space, where members and the general public mingle in a shared lounge area. Behind a locked glass door, members have private offices, conference rooms and group workspaces. On the second and third floors of the building is a co-living community. Residents have private studio apartments with shared kitchen and living spaces. Some of the residents live upstairs and then walk downstairs for work in the co-working space.

If co-living isn't your style, across the street is a "traditional" apartment community, complete with its own co-working commons. One wing of the building is occupied by an apartment-hotel (apart-hotel) service, where guests can stay anywhere from one night to two months. Guests and residents share the building's amenity spaces.

Now, here's a question for you: Are these buildings considered multifamily, office space or hotels? The answer is all three. The lines between living and working spaces have blurred, and many residents prefer it that way.

My company helps developers and property owners prepare their buildings for the future. Since starting the firm in 2015, we have seen an explosion of new living and working models, which I believe is just the beginning of a decades-long trend in commercial real estate. With the right technology and mindset, any developer can position their properties to take advantage.

First, it's essential to understand what is driving this trend of blended building models.

• **New technology:** Just as smartphones gave rise to apps like Uber and Airbnb, cloud and IoT technology are enabling new ways to utilize building space. IoT-powered connected devices allow companies to manage buildings remotely and at scale. Sonder, an apart-hotel company that recently hit a $1 billion valuation, would not be possible without smart locks, thermostats and building sensors.

• **Sharing and gig economies:** The U.S. is seeing massive shifts in the way people live, work and spend money. The gig economy has given millions of people freedom and flexibility in their work, creating a new class of six-figure freelancers and digital nomads. At the same time, millennials and Gen Zers are eschewing older symbols of wealth, preferring experiences over material items. The sharing economy gives people access instead of ownership, which includes housing options.

• **Communal and collaborative mindset:** What came first — the gig and sharing economies, or the communal and collaborative mindset that enables them? It's hard to say, but today they are self-reinforcing. Younger generations of Americans are highly social and want to live and work in close quarters with others. This explains not just co-working and co-living spaces, but also the desire for denser, walkable neighborhoods.

• **Affordability:** The final major trend is the ever-climbing housing prices in cities around the country. According to one Harvard study, nearly one-third of Americans were housing-cost-burdened (paying more than 30% of total household income) in 2017. The demand for affordable housing is driving the search for creative living solutions.

With so much in flux, preparing your properties for the future has never been more challenging. Understandably, many CRE professionals are hesitant to embrace new living/working models. The viability of some of these markets — especially co-living and apart-hotels — has yet to be proven in the U.S.

However, we don't need to see the future to future-proof our properties. Here are a few steps you can take today to prepare for tomorrow:

• **Build for flexibility:** In these times of rapid evolution and uncertainty, it's critical not to develop yourself into a corner. Streetsense's Managing Principle, Eric Burka, [put it best](#): "Design spaces that could be repurposed, used or changed as the market evolves." In the near future, [modular construction](#) techniques will enable developers to literally swap out building spaces with relative ease.

• **Develop a hospitality mindset:** According to [Nielsen](#), consumers are leading busier, more on-the-go lives than ever before. Convenience and work-life balance have become top priorities. To make life easier for tenants, CRE companies should develop a hospitality mindset, which means anticipating needs and providing on-demand services. This is already a hot trend in multifamily, where [hotel-like amenities](#) have become the standard.

• **Embrace the IoT:** No matter the CRE sector, buildings today require remote and automated management. Not only are they easier to manage, but tenants have come to expect keyless entry, smart thermostats and building amenities that "just work." The IoT is more than just devices, though; your building needs the underlying network infrastructure to power the devices as well.

• **Modernize your operating system:** Most buildings today run on legacy property management software that is no match for new living and working models. Ask yourself if your system can manage the wildly different needs of apartment, office and hotel space. If not, it's time to adopt a new operating system that is just as flexible as your building space. Like smartphones, a smart building OS allows you to download and run different applications for different needs, whether you're managing leases, co-working memberships or concierge services.

Whatever the future brings, one thing is clear: The way we live, work and play has changed forever. Embracing the new living and working models of today — and being prepared for those of tomorrow — requires flexibility, technology and a new mindset. Will you be ready?

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