



PROJECTS AND CONSTRUCTION

The Emergence of Co-Living Projects in Ireland

by **Jamie Ritchie**

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Co-living is a relatively new concept in Ireland and it is an expansion of Ireland's build-to-rent (BTR) market. It is a concept of community living where residents share spaces like kitchens and living rooms, but they have their own private bedrooms with en suites.

Generally, such developments also provide various recreational amenities offering the busy professional a social outlet on their doorstep. The aim of this concept is to provide an affordable alternative to independently rented accommodation for like-minded young professionals.

Current developments in Dublin are commanding rents of €1,300 (per month) upwards which includes all utilities. With average rents across the rental sector in Dublin being reported as being in excess of €1,800 per month, co-living is potentially the solution that many millennial and generation Z young professionals will opt for when considering where to live. This residential living arrangement have been evolving over recent years in cities like New York and London where it has been quite successful.

Housing Minister Eoghan Murphy published design guidelines for such developments in March 2018 and he has actively encouraged the planning authorities to approve such developments, particularly for the regeneration of older buildings in city centre locations.

Planning Framework

The promotion of co-living has been achieved by establishing build to rent (BTR) projects as a specific use class under the Planning and Development Regulations 2001 (as amended). Under Specific Planning Policy Requirement (SPPR) 7 the BTR development must be described in the public notices for the planning application as "build-to-rent". In addition, specific planning conditions may be attached such as that the development remains owned and operated by the institutional entity for a minimum of fifteen years. Such planning applications must also contain detailed proposals for the communal and recreational facilities to be provided. These communal and recreational facilities will vary depending on the size and location of the developments. At many co-living developments there are facilities including cinemas, gyms, laundries, and communal workspaces.

These co-living schemes have minimum floor areas set for the bedroom and living areas. For a single room, the minimum floor area is 12 m² including the en suite and for a twin room it is 18 m² including the en suite. In terms of the common living and kitchen facilities, where there are up to three bedrooms, a minimum of 8 m² per person is required and where there are 4 – 6 bedrooms an additional 4 m² for each additional person (over 3) is required. There is no requirement for the units to have a dual aspect as is the case with apartments, the theory being that people will spend less time in their individual units and more time in the communal areas where a community of like-minded individuals will develop.

Given that the minimum permitted size of a studio apartment is currently set at 37 square metres it is clear that this is a significant reduction in size enabling more units to be provided per development thus providing more units in less time. Developers in major European capitals are in some cases submitting plans for structures with 500+ bed accommodation. These developments are deemed appropriate where there is a specific housing need and it will be up to the proposer to demonstrate this need.

Project Structuring and Construction

Funding models for these type of projects will likely be similar to those encountered in other similar purpose built medium and large scale accommodation projects such as student accommodation or aparthotels. This is a reflection of the types of investors in this sector. Given the current housing crisis in Dublin, combined with a demand for affordable high-end accommodation, many developers, sponsors, investors and funders (who typically favour a forward funded model) will be watching the market closely.

Due to the time sensitive nature of these projects, programme and cost control will be invariably be paramount for employers engaging in this space. In our experience, the best way to achieve this is to instruct a firm that has a complete construction and development finance offering and can help incoming funders and developers structure the construction packages in a manner which future proofs the risk for these projects in the most efficient way.

In a nutshell, this means reducing the risk for third party funders through the use of a proper legal framework and by ensuring that it is capable of meeting the diligence requirements of a wide range of private investors and stakeholders. This might include funds interested in purchasing the project during or after the construction phase. Importantly, thorough consideration of how the construction documentation interacts with commercial objectives will ultimately lead to the completion of a more attractive and bankable asset.

Conclusion

When bedsits were outlawed in 2013 this created an immediate need for affordable accommodation in the city. This can arguably be satisfied by the emergence of co-living developments. However, it is important to point out that this is not a return to bedsits.

Co-living is a more sophisticated alternative, with a clear focus on the community aspect of communal living. Co-living would not suit every city, but it potentially suits Dublin due to the high volume of young professionals working on contract here. They are drawn to this concept due to the high quality and flexibility in terms of the rental contract. It is an opportune time for developers to embrace this concept due to the current housing crisis where it is estimated that there is a shortfall of 200,000 apartments in Dublin as of April 2019.

Jamie Ritchie is a member of the Projects and Construction team at LK Shields and advises developers, funders and contractors in relation to a wide range of projects across a number of sectors. If you are interested in learning more, please do not hesitate to contact Jamie on jritchie@lkshields.ie.

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