Developer Targets Growing Co-Living Niche

An investment manager is mapping plans for what could be the biggest push yet into the fledgling **co-living** sector.

Six Peak Capital is aiming to amass a 6,000-bed portfolio across the country over the next three years. The New York private-equity shop has hired Cushman & Wakefield to raise about $350 million of equity from one or more institutional investors to back the investment spree. That capital would be supplemented with debt to create a $1 billion investment war chest.

Six Peak could seed the portfolio with nine properties — a combined 1,073 beds — that it already owns or has under development. The total capitalization of those shared-living properties, in Los Angeles, Seattle, Chicago and Denver, is around $135 million.

On additional investments, Six Peak would usually kick in 10% of the equity, with the rest coming from the new partner or partners. The company focuses on ground-up development, rather than reconfiguring traditional multi-family buildings.

The goal is to raise the equity, preferably from one partner, by January. “We’re looking for one partner to really scale with us, but that’s not to say we wouldn’t work with multiple limited partners,” said Bob Kennedy, a Six Peak partner.

Kennedy founded Six Peak in 2016 with two other partners, Chris Aiello and Rich Littlehale. Kennedy’s resume includes stops at UBS and two other private-equity firms — AGI Partners and FdG Associates, both of New York.

In addition to the properties that could be transferred to the new partnership, Six Peak owns 21 other **co-living** properties, encompassing 1,214 beds, via a partnership with several family offices. Those properties, in Los Angeles, Seattle, New York and Chicago, will continue to be owned separately.

In **co-living** properties, residents have private bedrooms, but share living quarters. They are springing up in areas with high costs of living, offering lower rents and a greater sense of community than traditional rentals. The sector is rapidly expanding, growing from 500 available beds in 2015 to 3,100 last year, according to Cushman. More than 16,000 beds are expected to come on line this year.

That growth indicates that **co-living** is becoming a full-fledged niche asset class, according to Susan Tjarksen, a Cushman managing director.

Kennedy said that, similar to niche asset classes like cold-storage facilities and life-science properties, the **co-living** sector is increasingly attracting the attention of institutional investors. “What we’re now seeing is a real inflection point in the space where **co-living** is following this same trend as more institutional capital flows into a space,” he said.

Six Peak’s properties are operated by a New York company called Common, which specializes in **co-living** properties. Common manages 1,000 beds across the country for a number of owners and has agreements in place to manage another 10,000 beds at 140 properties that are under development.

Brad Hargreaves, who launched Common in 2015, said demand for **co-living** beds far outstrips supply. “We get over 15,000 inbound applicants per month,” he said. “We’re not able to serve all of them today, and that’s one of the reasons we’re excited about this partnership with Six Peak, because it’s about bringing more supply into the marketplace and addressing this need.”

Hargreaves said the **co-living** model offers rents that typically are 20-30% below the cost of a comparable studio in the same neighborhood. The units are fully furnished. The rents include utilities, WiFi service, kitchen and bathroom supplies such as paper towels, and a cleaning service for shared space. Common’s units are 98% occupied, and demand has been overwhelming, Hargreaves said.