https://www.wsj.com/articles/group-living-gets-more-affordable-in-30-square-feet-11570533144

Group Living Gets More Affordable, in 30 Square Feet

Some shared quarters forgo perks while others shrink private square footage to the size of tanning bed

By Laura Kusisto

Updated Oct. 8, 2019 2:06 pm ET

A new breed of companies offering shared accommodation for housemates are trying to tackle the question of how to deliver affordable housing to low-wage workers.

They are part of a small but growing real-estate business known as co-living, in which developers offer shared bathrooms and private bedrooms that can run to less than 100 square feet. To compensate for the cramped quarters, building owners often offer such perks as housekeeping service, organized ski trips, yoga studios and cooking classes.

But as the popularity of co-living has grown among young professionals over the past half-decade, the cost of those amenities and spending on new construction has made these living quarters not particularly cheap. Bedrooms in big cities typically start at more than $1,500 a month, pricing out nearly all except workers making at least $70,000 a year.

A few startups are hoping to change that with rents about half the price, making them affordable to workers in the service sector or artists and other creatives just starting out.

If this next wave of co-living companies is successful, it would represent one of the first approaches to emerge in decades that bring low-price housing to pricey U.S. cities without relying on a public subsidy.

“I think it could be a significant solution,” said Carol Galante, faculty director of the Terner Center for Housing Innovation at the University of California, Berkeley. “It’s not the whole solution by any chance.”

Some building owners rent space in existing homes and forgo many of the typical co-living

The exterior of an UP(st)ART in Los Angeles. Residents stay for six months on average, according to the company. PHOTO: MICHAL CZERWONKA FOR THE WALL STREET JOURNAL

perks. Others are shrinking the private square footage each resident gets to the size of a tanning bed.

In Atlanta, PadSplit helps owners of single-family homes rent out individual bedrooms. Its average tenant earns about $20,000 a year and pays around $600 a month for rent.

SHARE YOUR THOUGHTS

Is co-living a new affordable-housing solution or the return of cramped boarding houses? Join the conversation below.

Atticus LeBlanc, who founded the company in 2017, said his tenants have needs very different from those of the typical co-living tenant. “This is the only attainable housing solution for them realistically, at least without subsidy,” he said.

Antionette Chancellor, a 44-year-old truck driver, moved into an eight-bedroom house managed by PadSplit in May. After her daughter left home, she was looking for a place that she didn’t have to worry about leaving empty during her travels for work.

Ms. Chancellor said she loves the location, close to work and Atlanta’s downtown, and enjoys cooking for her seven housemates.

A painting studio is one of the ways UP(st)ART serves residents with artistic interests. **PHOTO:** MICHAL CZERWONKA FOR THE WALL STREET JOURNAL

She pays $145 a week, which she said is a welcome change from the $1,400 a month she paid for the apartment she and her daughter occupied. “I wish I’d known that five years ago,” she said. “I would have had a big savings account.”

Tightly packing lower-income tenants into a home has some of the challenges of rooming houses and single-room occupancy buildings, or SROs, which became synonymous with drug use and poor living conditions. As a result, many cities have tightened regulations to discourage unrelated people from living together in one residence.

PadSplit rents rooms by the week, meaning it could run afoul of rules designed to regulate Airbnb Inc. and other vacation rental companies. Mr. LeBlanc said rules will be a challenge as the company looks to expand to more cities.

Common, which pioneered the trendy millennial-oriented co-living model, will join with affordable housing developer L+M Development Partners Inc. to create more than 250 co-living beds in East Harlem. The development currently is set to receive a tax abatement but no other public subsidy.

Residents making less than $37,000 a year could end up sharing a kitchen and bathroom with well-off professionals. The development will offer the same perks as a typical Common building, from weekly cleaning service to free Wi-Fi.

Louise Carroll, head of the city's Housing Preservation and Development Department, said the model could easily be replicated on other sites and ultimately help the city produce more affordable housing with less subsidy.

"We're not going to have to do anything different, except maybe spend less," Ms. Carroll said.

On Tuesday, New York City announced the winners of its ShareNYC competition, which sought proposals for affordable co-living projects.

San Francisco-based Bungalow has quietly grown to be one of the country's largest co-living companies, with a model of dividing up existing homes. Rents are slightly higher than PadSplit's but still well below most new development co-living companies. The company currently has 3,000 occupied bedrooms in 10 markets, up from 450 bedrooms a year ago. Rents range from roughly $700 to $2,500 a month.

A sleeping pod inside an Upstart property in Los Angeles. **PHOTO:** MICHAL CZERWONKA FOR THE WALL STREET JOURNAL

A Los Angeles-based company is serving residents with incomes similar to those of Bungalow's customers but with a more artistic bent. UP(st)ART's properties are rich with amenities, including recording and photo studios, theaters and free acting, dance and music classes.

UP(st)ART compensates for the added costs by packing residents in like crew members on a cruise ship in 30-square-foot pods. They rent for about $750 a month.

The company plans to open its eighth location in November. Jeremiah Adler, founder of UP(st)ART, said it is still a temporary solution, with residents staying six months on average.

“We are great when you are young and broke,” he said. “You want to be able to bring a date home eventually.”

Members perfect their dancing moves at a gym in an UP(st)ART residence. **PHOTO:** MICHAL CZERWONKA FOR THE WALL STREET JOURNAL

Write to Laura Kusisto at laura.kusisto@wsj.com