

Lumiere finds new co-living operator, new landlords, new occupiers

By [Cecilia Chow](#) / EdgeProp Singapore | June 4, 2021 6:00 AM SGT



One-bedroom apartment at Lumiere listed on Cove for \$3,850 per month (Photo: Samuel Isaac Chua/EdgeProp Singapore)

Despite co-living operator Hmlet's abrupt exit from Lumiere last September, Raymond Ng, founder of property development and investment company BS Capital, says: "I still believe that co-living works well."

That belief has been validated by the entry of Cove, another co-living operator, which stepped in on June 1 to take over the management of the units at Lumiere for lease.

Ng's company, BS Shenton Pte Ltd, had developed the 168-unit Lumiere on Mistri Road, just off Shenton Way. The 45-storey residential tower in the CBD was completed in 2010. While the others were sold, Ng held back 43 apartments for investment via BS Shenton.



Ng: I still believe that co-living works well (Photo: Samuel Isaac Chua/EdgeProp Singapore)

The apartments are on the top 12 floors — from the 34th to 45th storeys — of the residential tower. Of the 43 units, studios and one-bedders make up 32 units, and these range from 506 to 678 sq ft. Two-bedders account for eight units, with sizes from 980 to 1,001 sq ft. There are two 3-bedroom duplexes of 2,326 and 2,551 sq ft on the 34th and 36th floors, and sitting on topmost level on the 45th floor is the sole duplex penthouse, with five bedrooms and spanning 5,091 sq ft.

Divestment

Ng's original intention had been to divest the entire residential portfolio at Lumiere in a bulk sale. However, the property cooling measures of July 2018 would have deterred such buyers. The additional buyer's stamp duty for such corporate entities has increased to 25% from 20% earlier. The borrowing limit for such entities has further tightened to just 15% loan-to-value ratio, from 20%

Showsuite has in turn appointed ERA, Huttons, OrangeTee & Tie, PropNex and SRI as joint marketing agents for the sale of the units.

Since this March, when the residential market began to take off, 40 one- and two-bedroom apartments at Lumiere held by BS Shenton were released for sale. To date, 19 units (almost half) have been taken up at an average selling price of about \$1,800 to \$2,000 psf, says Singh. "The underlying reason why the market is so hot is that there's not enough new land supplied to developers to build," he adds. "And projects under construction are being delayed in terms of completion. This is favouring the resale market."

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As some of the apartments are already occupied by co-living members, BS Shenton has offered buyers the option of a guaranteed gross return of 3% per annum for the next 24 months. Slightly more than half of the buyers have taken up the guaranteed return option.

“This arrangement appeals to both investors as well as owner-occupiers who are looking to work-live-play in the CBD,” says Singh.

Three in four of the buyers are Singaporeans or permanent residents, according to Singh. The rest were foreigners, predominantly from China.

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In the coming months, the two duplexes and the penthouse will be launched for sale. “The penthouse on the 45th floor naturally enjoys spectacular views,” he adds.



Completed in 2010, Lumiere has 168 apartment units in a 45-storey tower, with four strata shop units on the first floor (Photo: Samuel Isaac Chua/EdgeProp Singapore)

Strata shop units for sale at \$3,000 psf

BS Shenton also owns the four strata-titled shop units on the ground floor of Lumiere. They range from 581 sq ft to 1,873 sq ft, and have a combined floor area of some 4,209 sq ft. The largest shop has been approved for use as a restaurant, while two other shop units have been granted temporary approval for F&B use, with the approvals renewable every three years.

With a new tenant just secured for all the shop units, they are now for sale at an indicative price of \$3,000 psf. This works out to just over \$12.6 million for the entire portfolio. "The investor who buys it would have the benefit of a new 3+3+3 year lease with step-up returns starting with 3.6% per annum," notes Singh. Showsuite is the exclusive marketing agent for the shop units at Lumiere.

Singh is confident that these strata shop units are likely to see an "increase in value and appeal". He attributes this to the rejuvenation taking place in Tanjong Pagar, with the redevelopment of AXA Tower and Fuji Xerox into new mixed-use developments, as well as the upcoming One Bernam



Two-bedroom apartments at Lumiere range from 980 to 1,001 sq ft, and units have been sold at prices ranging from \$1.65 million to \$1.8 million, based on caveats lodged so far (Photo: Samuel Isaac Chua/EdgeProp Singapore)

What's more, the final stage of the Circle Line, which is expected to be completed in 2026, includes three stations at Keppel, Cantonment and Prince Edward Road. Lumiere is located just a short walking distance from the upcoming station at Prince Edward Road, says Singh.

Alignment of interests

The prices of the residential units at Lumiere of \$1,800 to \$2,000 psf are at a discount to new properties in the area, says Samuel Eyo, managing director of Lighthouse Property Consultants, who is also the marketing agent that had brought in Cove to Lumiere. The delays and disruption in construction of new residential projects have also shifted home buyers' attention to the resale market, adds Eyo.

At Lumiere, the 3% rental guarantee is provided by BS Shenton. Cove will be the co-living operator managing the units and operations, as well as handling the leasing, adds Eyo. "This is a win-win for both Cove and the buyers of the units, who will become the new landlords at Lumiere."



Master bedroom of a one-bedroom unit at Lumiere (Photo: Samuel Isaac Chua/EdgeProp Singapore)

Instead of a straight landlord-and-master tenant agreement, BS Shenton's agreement with Cove has a fixed rent component and a profit-sharing component. "This way, it's a better alignment of interests between landlord and operator," says BS Shenton's Ng.

Another shift in the dynamics between co-living operator and landlord is the introduction of transparency in the leasing arrangement at Cove. "Thanks to the technology infrastructure that we have built in our back-end, we are able to give both existing and prospective landlords access to the performance of their units — on a unit-by-unit basis, and in real time," says Luca Bregoli, co-founder and COO of Cove. "It provides visibility of costs and revenue for the landlord in real time without additional administrative cost."

At Lumiere, Cove is operating 30 apartments, which include a mix of the studios, one- and two-bedroom apartments. These will be leased on a per bed, per month basis.



Studios of 560 sq ft at Lumiere are listed on Cove at \$3,350 per month (Photo: Samuel Isaac Chua/EdgeProp Singapore)

Inventory of 1,000 rooms

Having rolled out the real-time performance feature at Lumiere, Cove intends to extend that offering to its other landlords elsewhere in Singapore and Indonesia. Today, Cove operates more than 1,000 rooms in Singapore and Indonesia combined. “That is more than five times what we had at the start of the circuit breaker last year,” remarks Bregoli.

Cove was co-founded in 2018 by Bregoli, Sophie Jokelson and Guillaume Castagne, who met through Antler, a start-up generator. At its inception, Cove raised over US\$2 million (\$2.75 million) in seed funding to expand its presence in Southeast Asia and build its technology.

Investment firms that took part in that seed round included Venturra Capital, Yuj Ventures, Investigate VC and Picus Capital. The others that took part included Aetius Capital, Found Ventures and several other angel investors.



Bregoli: There's a big shift in mindset. If you're going to work from home and your whole family is working from home, do you really want to live with your parents? It's really pushing a lot of people towards their first rental (Photo: Samuel Isaac Chua/EdgeProp Singapore)

Last December, Cove raised \$4.6 million in its Series-A funding round, which was led by Keppel Land, the real estate arm of Singapore conglomerate Keppel Corp. Idinvest Partners, a unit of private equity firm Eurazeo, also joined the funding round together with existing investors.

In Indonesia, Cove, in partnership with giant real estate developer Lippo Group, converted a commercial building at Lippo Karawaci into a 150-room, co-living building called Cove Hilcrest. "It is the first student-focused co-living building in Jakarta and in Southeast Asia," says Bregoli. The student-focused co-living building is located next to one of the most prestigious universities in the city.

Even though Cove had entered Indonesia more recently, it is a fast-growing market. "We want to create a Grab of co-living, a Southeast Asian champion," says Bregoli. Cove plans to extend its footprint to the rest of the region, for instance the Philippines and Vietnam. It intends to do so in partnership with its investors which are in the real estate sector, for instance, Keppel Land, Lippo Group, and hedge fund Xander Group.



View of the future Great Southern Waterfront from one of the one-bedroom apartments at Lumiere (Photo: Samuel Isaac Chua/EdgeProp Singapore)

Demand shift

In Singapore, the 30 units at Lumiere will be the biggest portfolio of units operated by Cove in a single building. Elsewhere in the CBD, Cove also operates co-living beds on behalf of landlords at The Sail at Marina Bay and Emerald Garden at Club Street in Tanjong Pagar.

“At the height of the pandemic, during the circuit-breaker when everyone transitioned from the office to full work from home, co-living right in the city centre or at close proximity to the office became less attractive,” notes Bregoli. “While there was a dip in occupancy during the circuit breaker, occupancy in the CBD area has since recovered.”

Last year, occupancy rate averaged about 80% across Cove’s portfolio in Singapore. Today, it is above 90%. Besides the CBD, Cove also operates co-living rooms in the Orchard Road–River Valley area; in the the city fringe such as Geylang and Joo Chiat, Tiong Bahru, one-north and Buona Vista, Serangoon and Kovan as well as Pasir Panjang and Kent Ridge. It also has a presence in the suburban neighbourhoods of Changi and Tampines.



One of the bedrooms in the 30 units that are available for lease under Cove at Lumiere (Photo: Samuel Isaac Chua/EdgeProp Singapore)

There has been a shift in the demand base for co-living: Before the start of Covid early last year, Singaporeans and permanent residents made up only 5% of Cove’s occupants. Today, they form a bigger pool of about 35%. The average length of stay in a Cove property in Singapore is about nine months, says Bregoli.

Families and individuals whose home-moving plans have been disrupted by Covid have also found co-living to be an ideal option, especially if they need temporary lodgings for just a few months. Under URA guidelines, the minimum rental period is three months. “We have a lot more families coming to us because they are stuck,” says Bregoli. “But the majority of our occupiers are still young professionals and tertiary students.”

‘Affordable rental option’

Cove’s strategy is to be “more asset-light and capital-light on a per room basis” relative to its competitors, says Bregoli. “We don’t take on vanity projects for the sake of building our presence in a market. We need to make money from the beginning, and the numbers need to work. It’s not just about growth, but growth in a healthy way.”



Eyo: The delays and disruption in construction of new residential projects have also shifted home buyers' attention to the resale market (Photo: Samuel Isaac Chua/EdgeProp Singapore)

Besides Cove, there are several other major players in the co-living space: Ascott's Lyf, Hmlet, Metro Residences, ST Residences and The Assembly Place. Even LHN Group has entered the co-living space with its Coliwoo brand. Overseas operators which are in Singapore include Commontown from South Korea, Login Apartments from China and Weave from Hong Kong.

While Eyo expects consolidation to take place in the sector, he sees most co-living operators aspiring to operate entire buildings to achieve scale. "This is why we see more partnerships between owners of substantial residential portfolios and co-living operators," he adds.

Cove has plans to roll out an "affordable rental option" that will appeal to locals. "There's a big shift in mindset," says Bregoli. "If you're going to work from home and your whole family is working from home, do you really want to live with your parents? It's really pushing a lot of people towards their first rental property. So basically, we're very bullish on Singapore."