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# Cove banks on Indonesian rental market to fuel growth

By Atiqah Mokhtar | August 5, 2022



Entrance to Cove W Suites, one of Cove's properties in Indonesia, where it now operates over 2,000 rooms (Picture: Cove)

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SINGAPORE (EDGEPROP) – The co-living market in Singapore has seen a steady stream of activity to date this year, anchored by a slew of new openings. Coliwoo, the co-living arm of listed company LHN Group, opened its eighth property on [Geylang Road](#) on Aug 1. In May, The Ascott, CapitaLand's serviced residence arm, opened lyf Farrer Park, its third Singapore property under the lyf brand. The same month, Hong Kong-headquartered Dash Living opened its first two standalone properties in Singapore.

**Read also:** [Dash Living opens two co-living properties in Singapore](#)

The market has also seen a number of consolidations. In April, Hmlet announced it was merging with European co-living player Habyt, which has a global portfolio of 8,000 units worldwide. In March, The Assembly Place acquired Commontown Singapore, the local arm of Korean co-living brand The Commontown, boosting its portfolio to over 160 rooms.

Amid all this activity, Cove, the co-living and home rental platform that was founded four years ago, has been quietly but rapidly expanding. The company today has over 3,000 rooms in its portfolio, more than 15 times the roughly 200 rooms it had in 2019.



Around a third of those rooms are in Singapore, spread across approximately 200 properties. But the larger share of its portfolio is now in Jakarta, where the company has concentrated on growing its footprint since it first expanded into the Indonesian market in 2020. Despite the pandemic forcing the Cove management team, based in Singapore, to oversee the launch of its Indonesian operations remotely, the company was able to scale up quickly. Cove now operates over 2,000 rooms across roughly 45 properties in Jakarta. “It’s been quite an achievement, I would say, to have been able to have this level of growth, despite managing everything remotely,” says Luca Bregoli, COO of Cove and one of its three co-founders.

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With the easing of Covid restrictions, Cove’s CEO and co-founder Guillaume Castagne is now based in Indonesia, which Bregoli says has further helped propel growth there.

### **Tapping the Indonesian market**

In Jakarta, Cove primarily focuses on two segments, the first being university students. Its flagship student living development is the 138- room Cove Hillcrest, developed in partnership with Indonesia-listed real estate developer Lippo Karawaci. Located in the Lippo Karawaci area in Tangerang, Cove Hillcrest aims to cater to university students at the nearby Pelita Harapan University.

A number of other Cove properties in Indonesia are also located near universities, such as Cove The Peak Bright, located close to Binus University’s Syahdan campus, and Cove T63, located near Trisakti University in West Jakarta’s Tomang area.





Cove's second target market in Indonesia is young professionals. "We're looking at people in their first, second and third jobs out of university. Typically, they're moving to cities like Jakarta and Surabaya for work," explains Sophie Jokelson, co-founder and chief marketing officer at Cove.

Cove is aiming to fill a gap in the rental market faced by this segment, occupying the space between the most affordable end of rental housing dominated by "kos kosan", or rental rooms available at boarding houses that dot the city; as well as the more upscale condominiums and apartments that are often too expensive. "What we provide is a more luxury version of the boarding house concept, which basically is a sweet spot in terms of affordability for these young professionals," Jokelson says.

Listings on Cove's website show rooms in Indonesia starting from around IDR1.62 million (\$150) per month, going up to IDR6 million per month.

Currently, average occupancy for Cove's Indonesian properties stands around 85%, though this is expected to pick up in the near future, especially as Indonesia further relaxes pandemic-related measures. The platform's student-focused accommodation, including Cove Hillcrest, is expected to benefit from the return of more students to university campuses as face-to-face classes resume.



Cove plans to ramp up its portfolio in Indonesia even further, with the company projecting it will have over 5,000 rooms by the end of 2022. This includes launches in two new Indonesian cities — Bandung and Bali. The former will focus heavily on the student market, capitalising on the city's concentration of universities and higher

education institutions, while the latter will cater more to an audience looking for flexible living accommodation.

## **Scope to grow**

Unlike its properties in Singapore, which cater to a large crowd of expat and foreigner clientele that make up around 60 to 65% of its user-base, in Indonesia, Cove's business is much more localised, with Indonesians making up over 95% of its clientele.

COO Bregoli notes that Cove's portfolio of properties in Indonesia also differs. In Singapore, its portfolio encompasses a mix of property types, including individual apartments, clusters of units in one development, as well as whole buildings. But in Indonesia, Cove works only with entire buildings, which it says allows it to offer a product that is tailored to meet its standards.

On average, its properties in Indonesia have between 30 and 50 keys per building, though this may vary, with some properties, such as Cove Hillcrest, exceeding 100 keys. Bregoli notes that its current and upcoming pipeline of properties were secured through partnerships with various stakeholders, ranging from property owners to high-net-worth individuals and family offices.

For now, despite having a higher number of rooms in Indonesia, Singapore remains Cove's largest revenue contributor, by virtue of having higher average rental rates and a more developed rental market, says Jokelson. Nonetheless, this is expected to shift as the company ramps up its Indonesian footprint. "There's so much scope to grow that we do anticipate that despite average rents being lower, Indonesia will overtake Singapore in terms of revenue contribution in the next couple of years," she says.

## **Shift in perspective**

In Singapore, the company is still focused on growing, with a pipeline of around 300 rooms expected to come online by the end of 2022. "We have about 10 different projects that are in various stages of development, ranging from properties with around 20 to 30 [keys], all the way to the biggest one which has over 100 keys," Bregoli shares.

Cove currently enjoying a 96% occupancy rate across its existing properties in Singapore, which Jokelson partially attributes to more renters turning to co-living properties amid rising rental rates. In 1Q2022, rents for private residential properties climbed 6.7% q-o-q, according to URA data, marking the highest quarterly increase since 2007.

This rise in rents has bolstered the appeal of more affordable co-living spaces that better fit peoples' budgets, Jokelson says. Rents for properties on Cove start from around \$800 per month.

She also points to a shift in perspective among Singaporeans, with the younger generation growing more receptive to staying in rental properties. While this trend has been accelerated by the pandemic, with construction delays resulting in longer waiting times for Build-ToOrder flats, Jokelson argues that social factors, such as more Singaporeans getting married later and wider recognition of the benefits of living independently, have also contributed to the changing mindset. "All of this basically means that we have a whole pool of young Singaporeans looking to rent with us, and we see that growing more and more," she says.

As the rental market has grown, Cove has also started evolving its offerings. Its portfolio now includes buildings approved for serviced apartment use, which allows options for shorter-term stays, rather than the minimum three-month rental period mandated by URA guidelines for residential properties. "We see more and more demand for not just long-term options, but also options around a shorter duration of stay," says Bregoli. Currently, Cove's portfolio includes units at three serviced apartments which can offer stays of at least seven days.

## **Becoming the leading platform in Southeast Asia**

For Jokelson, cementing Cove's presence in Indonesia is a stepping stone towards becoming the leading rental platform in Southeast Asia. "We're currently the only player that's present in multiple markets in Southeast Asia," she remarks. The company has plans to expand to new markets, such as Vietnam, in the near future.

As the company expands across markets, it also continues to focus on improving its platform and tech offerings. “We invest a lot in the technology that’s under the hood of our operations, to help streamline and make the whole tenant experience more seamless and agile,” Jokelson says. The same goes for the company’s landlord partners — in June, the company rolled out a property management platform in Singapore that gives landlords access to real-time updates on their properties, including data on rental income and return on investment.

Ultimately, the goal is to be the leading one-stop home rental platform for both tenants and landlords in the region. Despite the changes and consolidations happening across the co-living market, Bregoli says the company is, for the most part, focused on growing organically rather than through acquisitions. “It’s healthier growth that’s easier to manage because you’ve done things right from the start and there are no surprises or hidden skeletons in the closet, or things that you might have not anticipated,” he says. “We prefer to do the hard work ourselves.”

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