Co-Living in Seoul: Addressing Housing Needs and Redefining Rental Market Trends

by

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ABSTRACT

Co-living emerged as a novel asset class in the mid-2010s, addressing the housing needs of urban residents affected by rising housing costs, increasing urban migration, and the growing prevalence of single-person households. In South Korea, co-living has gained attention as a viable alternative to traditional housing, driven by unique local dynamics, including the decline of the dominant Jeonse system and a significant shortage of housing tailored to single-person households. With a growing preference for monthly rental systems over the Jeonse systems, both local conglomerates and start-ups have capitalized on the opportunity to offer company-operated co-living spaces. As the market grows, major international investors and global co-living providers have also entered, reflecting a unique market environment where institutionalized housing options are expanding alongside a notable shift in rental transaction systems. In this new era of urban housing, co-living is rapidly expanding and gaining popularity.

This thesis seeks to answer the following question: What factors have driven the emergence and growth of the co-living market in Seoul, and what is its growth potential? To address this, it starts with an analysis of market drivers, provider strategies, and regulatory developments, followed by projections of market potential and an assessment of potential threats and mitigation strategies for long-term viability of co-living in Seoul. The goal is to offer insights for co-living providers to optimize their spaces and services.

The findings suggest that while co-living addresses unmet housing demand, its long-term success depends on balancing operational efficiency with tenant satisfaction. While these strategies are applicable in other cities, they are particularly critical in Seoul, where the Jeonse system remains a strong and historically preferred alternative. In Seoul, co-living serves a dual mission: introducing an innovative housing model and reshaping the paradigm of the Wolse rental housing system. To succeed, co-living operators must clearly articulate their unique value proposition, addressing both the housing needs of urban residents and the broader evolution of the rental market.

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Without all of them, this journey would not have been possible. Thank you once again.

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1. Introduction: Emerging popularity of co-living in Seoul

Co-living emerged as a new asset class in the mid-2010s (Figure 1)[1], driven by societal shifts such as increasing urban migration, the growing prevalence of single-person households, and the increasing housing prices. Globally, this model has gained significant interest among young professionals in urban areas who are particularly affected by housing shortages and affordability challenges. Although co-living as a concept is not entirely new and has historical precedents in communal living arrangements, it has evolved into a structured and commercialized housing solution, reshaping urban living dynamics globally.

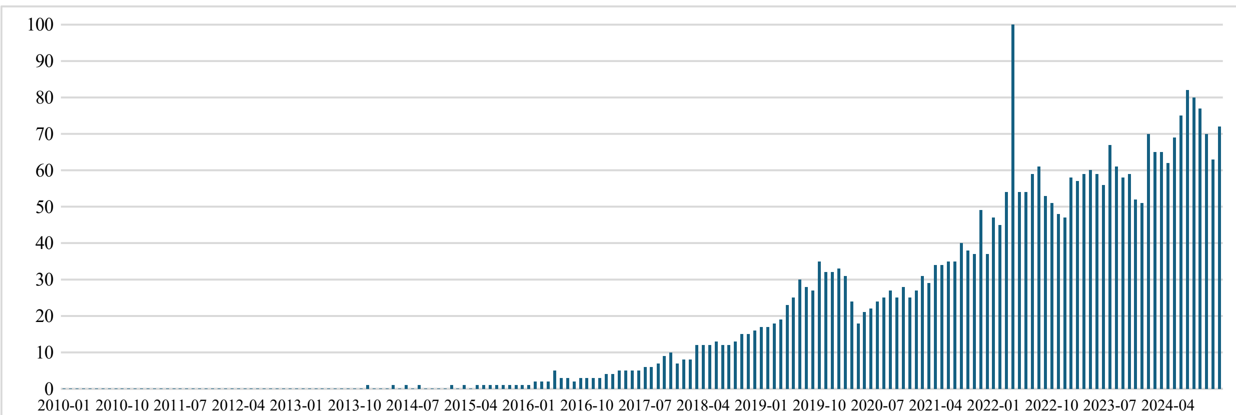

Figure 1. Google searches for "coliving" over time – Worldwide (Source: google trends)

Similarly, in South Korea, co-living has gradually gained traction, but it wasn't until 2018 that South Korea witnessed heightened investor interest (Figure 2). [2]

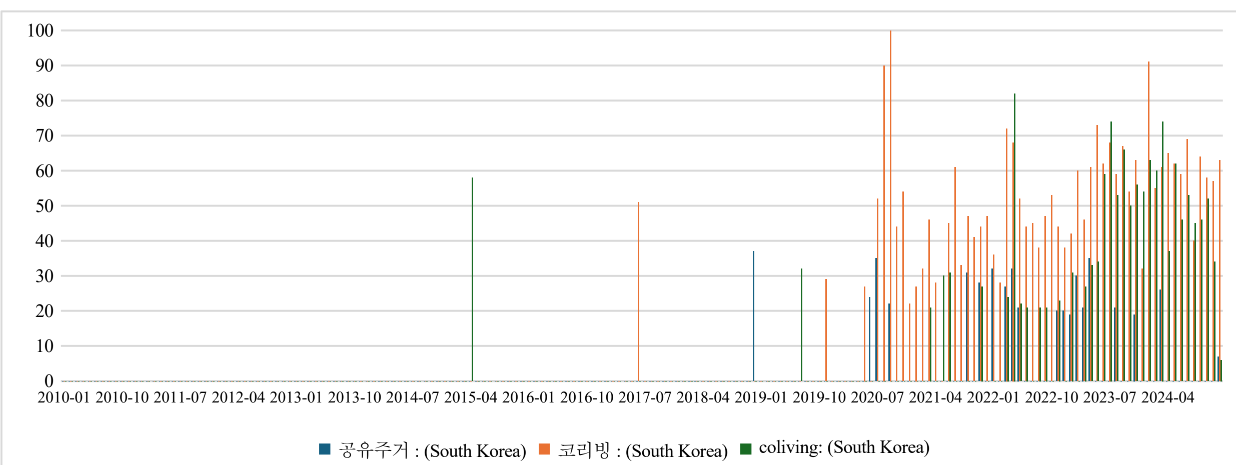

Figure 2. Google searches for coliving & related terms in Korean over time - South Korea (Source: google trends)

Companies such as MGRV, SK D&D, and Homes Company began actively acquiring sites for co-living developments, marking a turning point for the sector. Savills Korea estimated that the cumulative investment in co-living facilities amounted to KRW 835 billion as of May 2024. This surge in interest is further evidenced by the involvement of major international investors, including Morgan Stanley, KKR, and ICG, as well as the entry of global co-living providers like Weave Living and Cove into the South Korean market.

This thesis seeks to answer the following question: *What factors have driven the emergence and growth of the co-living market in Seoul, and what is its growth potential?*

To address this, it is first essential to understand the unique characteristics of the Korean housing market. South Korea's growing interest in co-living reflects global trends but is shaped by unique local dynamics. One of the most notable is the Jeonse rental system, which has historically dominated the Korean residential market. Jeonse is a rental system where tenants pay a substantial lump-sum deposit, typically 60~70% of the property's value[1], to landlords instead of paying monthly rent. The deposit is fully refundable upon lease expiry. Co-living, however, introduces a structured and accessible monthly rental model, offering a fresh alternative that is transforming South Korea's urban housing landscape.

Focusing on Seoul, the capital and largest city in South Korea, this thesis explores the factors driving the rise of co-living in this unique context. It examines the current market landscape, including provider strategies and regulatory developments, while leveraging the TAM-SAM-SOM framework to project market potential and evaluate the potential threats and mitigation strategies for ensuring the long-term viability of co-living in Seoul. Ultimately, this study aims to provide insights for co-living providers by combining market analysis, growth projections, and threat assessments to optimize their spaces and services, addressing and shaping the evolving needs of the market.

[1] Based on recent 5 years trend of Jeonse deposit to property value ratio (Source: real estate database of Kookmin Bank)

2. The Background of Co-living in Seoul

2.1 Seoul Housing Market Overview: Marco Analysis

The Seoul housing market has undergone significant shifts, shaped by macroeconomic dynamics that have collectively influenced the demand for alternative housing solutions such as co-living.

1) High House Prices

The rapid increase in housing prices in Seoul has been a long-standing trend, peaked in 2022. Although there has been a slight recent downturn, housing prices remain 50% higher than the index recorded in 2014. Contributing factors include population concentration in the capital city, housing shortage, and speculative investment in the real estate market. These dynamics have made it increasingly difficult for younger generations to buy their homes.

The size of Seoul city is approximately 605 km², representing 0.6% of South Korea's total land area. However, according to the Korean Statistical Information Service (KOSIS) 2024 report, it has housed approximately 18% of the country's population since 2018. Expanding the scope to the Seoul Metropolitan Area (SMA), which occupies 11.82% of the nation's land area, over 50.7% of the population resided in this region in 2023, with 46.8% of total housing units located in this area. These data highlight a strong preference for living and working in Seoul and its surrounding areas, driving persistent demand for housing.

As a result, Seoul has experienced a sustained increase in housing prices, with a notable 52% rise between October 2014 and October 2024 (Figure 3, showing Seoul's housing sales price index from 1986 to 2024). This sharp upward trend has made homeownership increasingly unaffordable, particularly for younger generations.

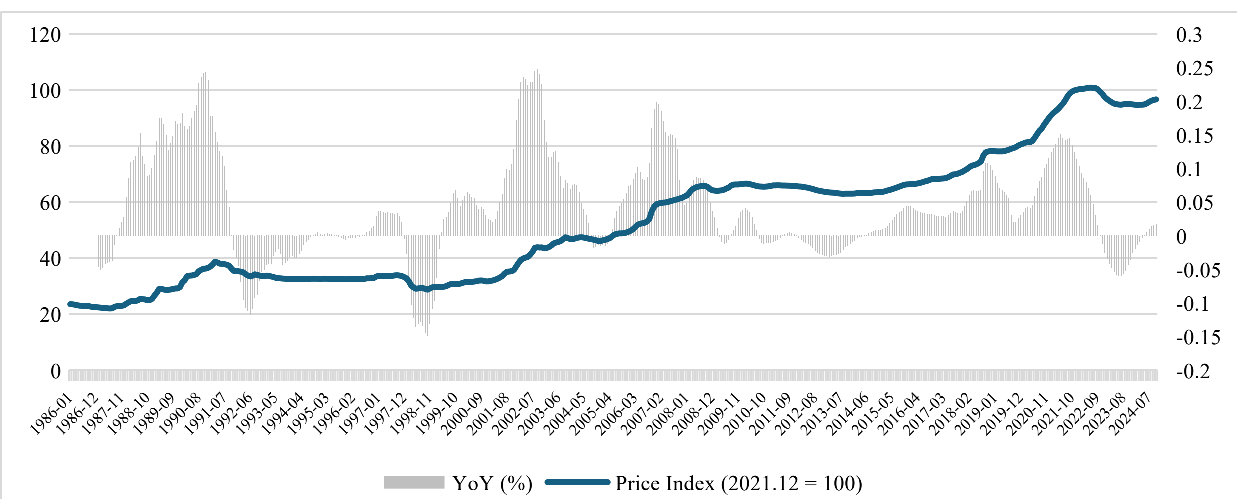

Figure 3. Seoul House Sales Price Monthly Index (1986 ~ 2024) (Source: Kookmin bank)

In addition, a report by the Ministry of Land, Infrastructure and Transport found that the home price-to-income ratio (PIR) in Seoul reached 13 in 2023, the highest among all major cities and provinces in South Korea.[3] This ratio indicates that the median sale price for a home in Seoul is 13 times the median annual household income, reflecting the substantial financial burden of homeownership.[4] In comparison, Gyeonggi Province recorded a PIR of 7.4, while the metropolitan cities of Busan and Daegu both reported a PIR of 6.7.

The ministry's survey, conducted between June and December 2023 and covering 61,000 households nationwide, further highlighted this affordability crisis. Nationwide, the homeownership rate declined from 61.3% in 2022 to 60.7% in 2023. Similarly, Seoul metropolitan area's homeownership rate fell from 55.8% to 55.1%, indicating a growing challenge for residents to achieve homeownership.

2) Rising Interest Rates

The sharp rise in interest rates in recent years has amplified this challenge, with the base interest rate surging from a historic low of 0.50% in May 2020 to 3.5% in January 2023. This significant increase has added to the financial burden of purchasing a home, elevating borrowing costs and limiting access to mortgages.

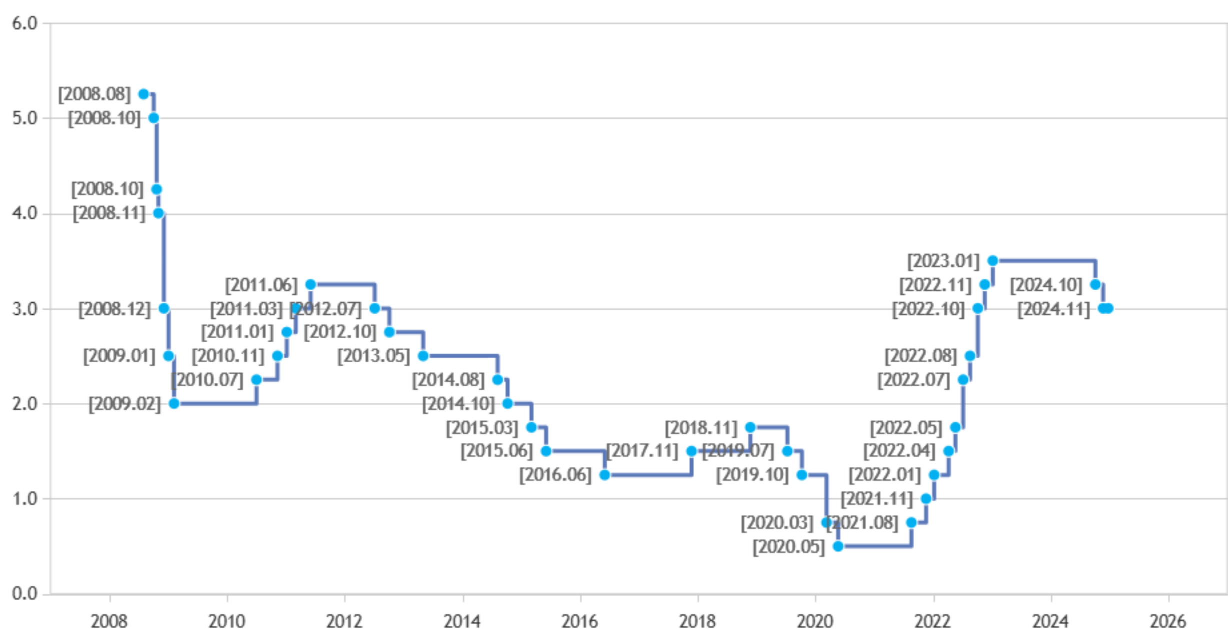

Figure 4. Trends in the Bank of Korea's Base Interest Rate (2008-2026) (Source: Bank of Korea)

3) Supply and Demand Dynamics – Housing Shortage

Adding to the challenge is the persistent housing shortage in Seoul. According to the Korea Housing Institute, housing demand in Seoul consistently exceeds supply, leading to a cumulative housing shortage over the years (Figure 5). Over time, the shortage has grown, with a cumulative shortfall of 201,794 units in 2023. Just in 2023, the estimated demand is 63,177 units, while the supply is projected as 38,896 units, creating a shortfall of 24,281 units.

This shortage is reflected in the supply adequacy index, which has been continuously dropped from 94.8 in 2019 to 65.9 in 2023. A score below 100 indicates that supply does not meet demand. This trend highlights a worsening housing crisis in Seoul, where housing availability fails to keep pace with population growth and demand.

Years	Demand	Cumulative Demand	Supply	Cumulative Supply	Cumulative Supply Shortage	Supply Adequacy Index
2017	76,089	76,089	89,855	89,855	13,766	118.1
2018	60,384	136,473	62,669	152,524	16,051	111.8
2019	88,993	225,466	61,243	213,767	-11,699	94.8
2020	118,495	343,961	69,122	282,889	-61,072	82.2
2021	112,357	456,318	35,584	318,473	-37,845	69.8
2022	72,776	529,095	33,109	351,582	-177,513	66.4
2023	63,177	592,271	38,896	390,477	-201,794	65.9

Figure 5. The Historic Trend of Housing Demand and Supply in Seoul (Source: Korea Housing Institute)

4) Supply and Demand Dynamics – Increase in Single-Person Households

The housing shortage in Seoul is further compounded by the growing number of single-person households, which now represents 39.3% of the overall housing demand (Figure 6). While this demographic shift reflects a global trend, it carries unique implications in South Korea.

According to the KOSIS Household Projection Report, the proportion of single-person households nationwide is projected to rise steadily, reaching 40.8% by 2042. In Seoul, single-person households already accounted for 39.3% of total households in 2023, representing approximately 1.7 million people. This figure is 3.8 percentage points higher than the national average, reflecting the concentration of this trend in the capital city. This demographic shift is driven largely by sociocultural changes, including an increasing number of young individuals delaying marriage and choosing to live independently. Notably, among the 1.7 million single-person households in Seoul, 49% are individuals aged 39 or younger, indicating that the demand for housing solutions primarily comes from younger, single residents.

Consequently, the rise of single-person households has intensified Seoul's housing shortage, as this demographic typically requires smaller, more affordable housing units—a segment in which Seoul's housing stock remains insufficiently developed to meet the rising demand.

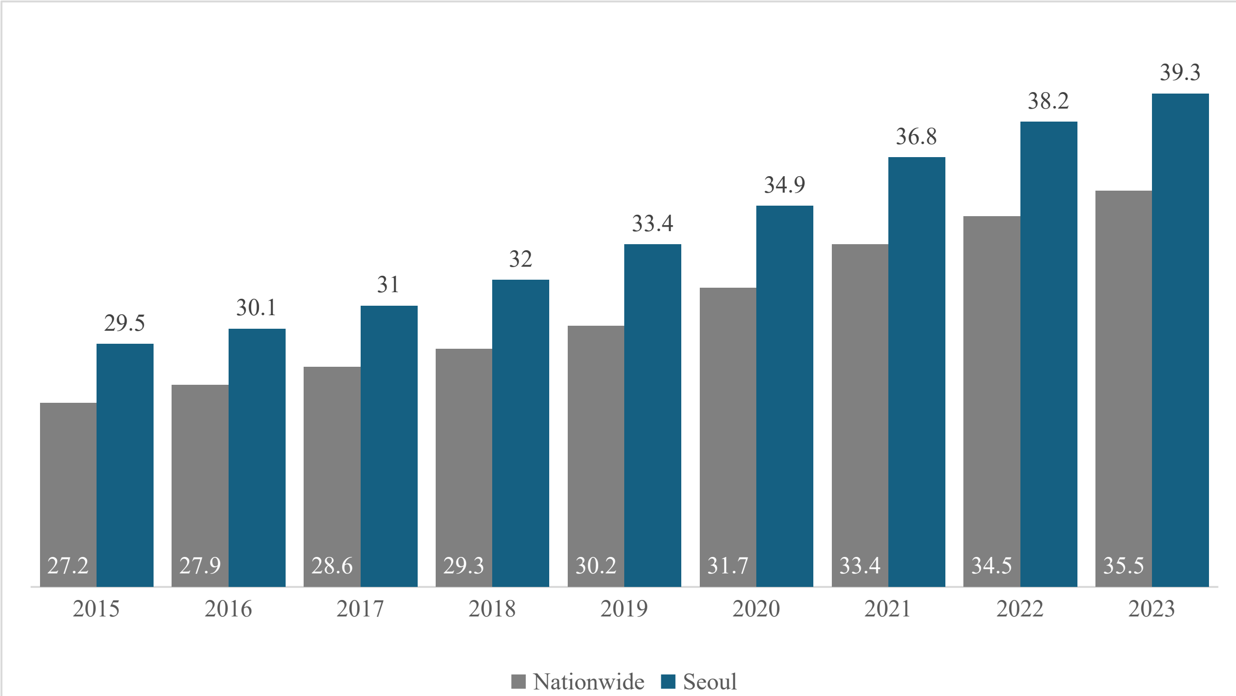

Figure 6. Single-Person Households as a Percentage of Total Households (Source: KOSIS)

5) Summary

Seoul has seen a continuous rise in housing prices alongside a sharp increase in interest rates in recent years, making homeownership increasingly out of reach, particularly for younger generations. The city also faces a significant housing shortage, with demand consistently outpacing supply. This imbalance is particularly acute in Seoul, where limited land availability and high population density drive up competition for housing. As a result, the demand for rental housing has surged, creating opportunities for innovative housing models to address this unmet need.

According to the Korea Housing Institute, rental transactions from January to September 2022 totaled 2.2 million, reflecting a 26.3% increase compared to the previous year. This surge in rental demand coincided with a sharp decline in sales transactions, which dropped by 49.0% as of September 2022, further driving the shift toward rental housing.

Moreover, the rapid growth of single-person households amplifies the housing shortage. Single-person households now account for more than one third of housing demand. This demographic trend has increased the need for smaller, more affordable living spaces.

These macroeconomic dynamics have positioned co-living as an appealing and practical housing solution, particularly for younger individuals. While such trends are not unique to Seoul, they have significantly contributed to the growth of co-living in the city.

2.2 Unique Dynamics in Seoul

In addition to the broader macroeconomic dynamics, the following distinct dynamics of South Korea's housing market present unique opportunities for the co-living industry to flourish.

1) Existing Housing Product

As previously noted, the demand for rental housing is increasing particularly among younger, single-person households, driven by the lack of affordability of homeownership and an ongoing housing shortage. However, much of the existing housing stock in Seoul is primarily designed for families, resulting in a significant shortage of suitable options for smaller households.

According to the Ministry of Land, Infrastructure and Transport, the average housing area per household in 2023 stood at 68.9 m², maintaining a consistent range of 65.4 m² to 68.9 m² over the past seven years. For youth households aged 19–34, the average housing area is much smaller at 44.6 m². This disparity may reflect a lack of adequate housing options for younger demographics or could be influenced by the higher proportion of single-person households within this generation. On an individual basis, the average housing area per person is 36.0 m², and 27.9 m² for young individuals, suggesting that the typical housing area for individuals falls between 30 m² and 40 m².

Despite this, the existing housing stock in Seoul reveals a significant mismatch with these needs. According to Korea Statistics, 59.8% of the city's housing stock consists of apartments primarily designed for families, with 85% of these units exceeding 40 m² in size. Additionally, units ranging from 60 m² to 85 m² range account for approximately 40% of apartments, which are too large for single-person households. Across the entire housing stock in Seoul, smaller units are relatively scarce: only 21% of the housing stock is below 40 m², with 4% below 20 m². Single-person households disproportionately occupy these smaller units, representing 81% of occupants in homes under 20 m² and 54% of occupants in units between 20 m² and 40 m². This misalignment leaves single-person households with limited and often unsuitable housing options.

However, there was a movement to supply suitable housing options for smaller households.

1-1) Goshiwons

Goshiwons are small, basic living spaces that were originally designed as accommodations for students preparing for important exams. Each unit typically includes minimal furnishings such as a bed, a small wardrobe, a desk, and a chair. In most cases, bathrooms and kitchens are shared among residents. Goshiwons serve as the most affordable housing option in urban areas, catering to low-income households. However, their poor living conditions have long been a concern.

According to the Seoul city report in 2022, the average unit size of Goshiwons in Seoul is just 7.2 m², with over 50% of units being smaller than 7 m².[5] Additionally, less than half of these units are equipped with windows, which serve as critical escape routes in the event of a fire. Tragically, this issue came to light in 2018 during a fire in a Goshiwon in Jongno-gu, where seven residents lost their lives.[6] In response to these safety concerns, Seoul implemented revised regulations in

2022 to improve the living conditions in Goshiwons. Under the new guidelines, units must have a minimum size of 7 m², and every unit must be equipped with windows to ensure adequate ventilation and provide an escape route during emergencies (Figure 7).

While Goshiwons remain the most affordable housing option in urban areas, their low cost often comes at the expense of privacy and amenities. Despite the recent regulatory improvements, Goshiwons continue to represent a housing choice driven by necessity rather than preference.

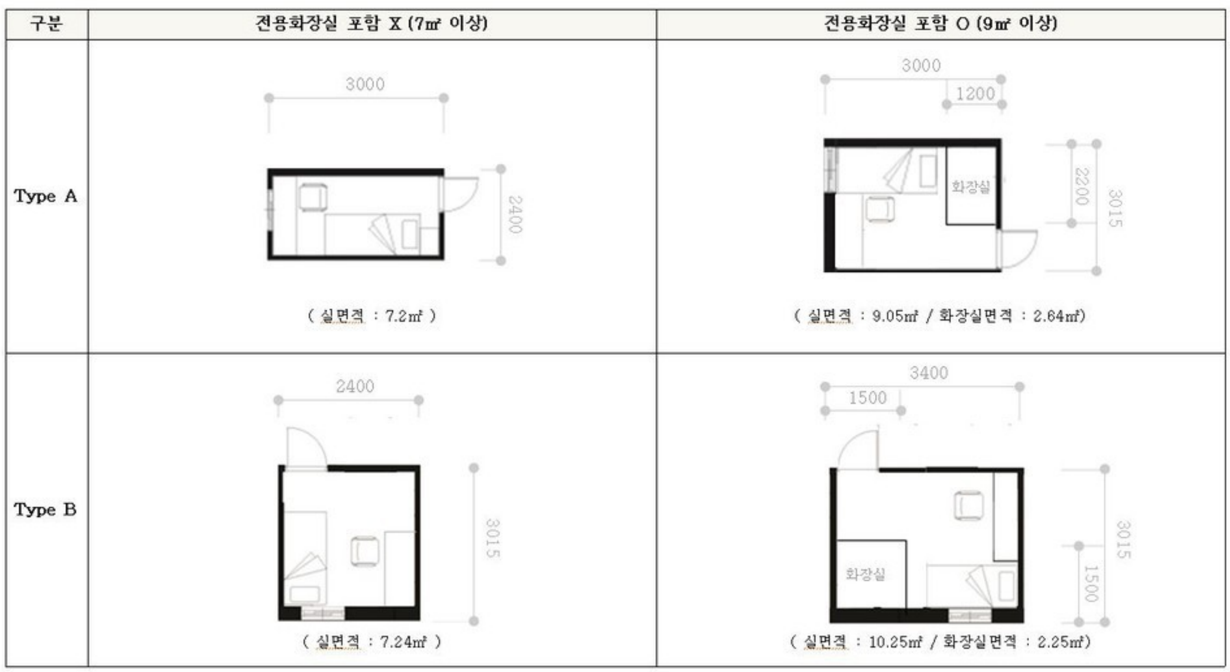

Figure 7. Typical Floor Plan of Goshiwons
(Source: Seoul Metropolitan Government, as cited in Yonhap News (2022))

1-2) Officetel[7][8]

Officetel, a portmanteau of "office" and "hotel," refers to buildings that combine office and residential functions (Jeong, 2021).[9] Considering its origin, an officetel can be interpreted as either a hybrid facility combining office functions with hotel-style services or as a space blending office and residential features. In South Korea, the concept of officetels as primarily residential spaces has become more prevalent. This shift has been influenced by the financing structure of officetel development projects, which often relied on high-interest loans or limited initial capital. Developers typically structured these projects with a focus on individual unit sales rather than leasing, similar to residential housing developments. Consequently, many officetel projects prioritized property value appreciation over rental income, focusing on minimizing maintenance costs rather than enhancing service-oriented features.

Officetels were first introduced in the mid-1980s but were initially subject to strict regulations. These included requirements that 70% of the building be used as office space and limitations on residential features such as bathrooms, balconies, and heating systems, which reduced their appeal for residential use. However, regulatory changes in 2010, including their classification as quasi-residential units under the Housing Act, relaxed these standards and significantly increased the appeal of officetels as housing options. Today, approx. 70 ~80% of officetel units are used as residential space 30% of all officetels are in Seoul (Huh & Kim, 2022).[10] Additionally, 55% of officetels fall within a size range of 20 m² to 40 m², making them well-suited for single-person households.

1-3) Urban Lifestyle Housing[11]

Urban lifestyle housing, introduced by the South Korean government in 2009, was designed to cater specifically to the needs of single or two-person households. Defined under the Housing Act, urban lifestyle housing refers to residential units built in urban areas with a maximum size of 85m² and fewer than 300 units per project. The Act further stipulates that studio housing classified as urban lifestyle housing must include private bathrooms and kitchens, ensuring independent living, with a maximum unit size of 50m². Urban lifestyle housing provides practical living spaces in desirable locations and offers privacy with self-contained units.

2) Decline in the Traditional Jeonse System[12]

South Korea's rental market has historically been dominated by the Jeonse system, reflecting a long-standing perception that “monthly rent diminishes savings”. Jeonse is a rental system where tenants pay a substantial lump-sum deposit, typically 60~70% of the property’s value[2], to landlords instead of paying monthly rent. The deposit is fully refundable upon lease expiry. This system has been particularly attractive due to its perceived financial benefits compared to monthly rental system (wolse), aligning the interests of landlords and tenants. Landlords leveraged Jeonse deposits for gap investments (purchasing homes with tenant deposits), while tenants benefited from low interest Jeonse loans supported by government policies, enabling them to save for future homeownership. Young professionals and single-person households have traditionally favored this system for its affordability and long-term savings potential (Savills Korea, 2024).[13]

However, Jeonse is rapidly losing its dominance in the cooling real estate market. The decline is driven by a combination of factors, including reduced speculative demand for Jeonse-backed investments amid falling house prices, and the increasing financial strain of high-interest rates on both landlords and tenants. Compounding these challenges, recent years have seen a significant increase in cases where landlords fail to return tenants' deposits due to financial mismanagement or

[2] Based on recent 5 years trend of Jeonse deposit to property value ratio (Source: real estate database of Kookmin Bank)

insolvency, a phenomenon known as Jeonse fraud. This erosion of trust in the system has led to a substantial decline in demand for Jeonse contracts.

Data from the Housing and Urban Guarantee Corporation (HUG) highlights the severity of this issue. In 2015, HUG compensated KRW 1 billion on behalf of landlords who were unable to return Jeonse deposits. By 2022, this figure skyrocketed to KRW 924.1 billion, a nearly 1,000-fold increase. Fraud cases have surged, with 16,040 cases recorded in 2023 alone, quadrupling from 4,296 cases in 2022. The total amount of unpaid Jeonse deposits reached KRW 3.55 trillion in 2023, with only 15% of the deposits recovered. This extremely low recovery rate highlights the worsening crisis and systemic vulnerabilities within the Jeonse system.

The increasing prevalence of Jeonse fraud reflects deeper issues in the housing market. Rising interest rates have made it increasingly difficult for landlords to repay deposits, while a declining real estate market has reduced property values and the feasibility of liquidation to cover financial obligations. Additionally, systemic weaknesses, including inadequate oversight and enforcement mechanisms to protect tenants, have further eroded confidence in the Jeonse system.

In response, the rental market in South Korea is undergoing a marked shift toward wolse (monthly rent). From 2021 to 2023, the proportion of wolse transactions has steadily increased (Figure 8). On average, over the last five years, wolse accounted for 48.5% of non-apartment transactions and 35.6% of apartment transactions, showing the historical dominance of Jeonse.

Figure 8. Ratio of Monthly Rental Transactions in Seoul (Source: Ministry of Land, Infrastructure and Transport)[14]

According to the Ministry of Land, Infrastructure, and Transport, for the first time since rental transaction surveys began in 2011, the proportion of wolse transactions has surpassed 50%. This sharp rise in wolse transactions is attributed to two key factors: the rapid growth of single-person households, often with limited financial means, and an increasing preference for monthly rentals driven by the burden of high interest rates. This trend reflects the changing dynamics of South Korea's rental market, as economic and demographic shifts reshape housing preferences.

Recognizing this shift, companies have identified opportunities in the company-operated rental housing sector, including co-living spaces. Companies benefit from monthly rent rather than Jeonse as it doesn't increase a company's debt ratio, improves profitability, and provides stable, predictable income stream, hedging the risks associated with interest rate volatility.

3) Summary

	Urban Lifestyle Housing	**Officetels**	**Goshiwons**	**Co-living**
Target Demographics	Single or two-person households	Single or two-person households	Single, low-income households	Single-person households
Use	Residential	Residential, Office (quasi-residential)	Residential (quasi-residential)	Residential
Typical Unit Size	14 m² ~ 85 m² Studio: 14 m² ~ 50 m²	20 m² to 40 m² (55% of total units)	Min. 7 m² (GFA: 7,500 m² or below)	Min. 7 m² (9.5 m² with private bathroom) with min. 4 m² common space per HC
Development	Developments focused on individual unit sales	Developments focused on individual unit sales	Not sold as individual units	Not sold as individual units
Ownership	Private individuals	Private individuals	Private individuals or small businesses	Companies or investors
Typical Lease Term	2 years	2 years	Flexible	Flexible
Premises	Unit	Unit	Bedroom w/ minimum furnishing	Furnished bedroom often with private bathrooms and kitchens
Amenities	Basic (kitchen and bathrooms within units)	Basic (kitchen and bathrooms within units)	Very basic, shared facilities	Wide range (lounges, coworking spaces, gyms)
Community Engagement	Minimal	Minimal	Limited to shared facilities	High, with a focus on shared spaces and events
Characteristics	An individualistic living option but lacks community features	Convenient but limited service-oriented features	Affordable but substandard living conditions	Community-focused but may lack privacy

Figure 9. Characteristics of Existing Housing Stocks for Single-person Households

The table above provides a comparative overview of key characteristics of Seoul's existing housing options—Urban Lifestyle Housing, Officetels, Goshiwons—and Co-living spaces. While each housing type was developed to address specific segments of the rental market, particularly smaller households, co-living spaces stand out as an innovative solution that effectively bridges the gaps left by traditional options. By combining affordability, flexibility, and a strong emphasis on community, co-living captures the unmet opportunities in the housing market and introduces a new lifestyle model for single-person households.

Unlike urban lifestyle housing or officetels, which are often developed for individual unit sales and prioritize individualistic living, co-living spaces emphasize shared amenities and foster social engagement, creating a sense of belonging among tenants. Additionally, co-living offers superior safety and quality standards compared to goshiwons, whose minimal living conditions often fail to meet the expectations of younger tenants seeking affordability without compromising on comfort.

One of the key advantages of co-living is its professionalized ownership and management structure. Typically owned and operated by companies or institutional investors, co-living spaces provide tenants with greater assurance in terms of property maintenance and service consistency compared to housing options managed by individual landlords. In a market where tenants frequently express concerns about deposit returns from individual landlords, the credibility of institutional landlords and the use of a monthly rental system (wolse) offer a significant advantage. This structured management approach not only enhances tenant satisfaction but also ensures that common spaces and shared facilities are well-maintained, elevating the overall living experience.

In conclusion, while Urban Lifestyle Housing, Officetels, and Goshiwons serve specific purposes within Seoul's housing market, co-living spaces represent a transformative evolution in the rental landscape. By addressing the growing demand for smaller, flexible housing solutions, co-living introduces community-focused and professionally managed housing, tapping into an emerging "blue ocean" market. By filling critical gaps in affordability, quality, and community engagement, co-living has the potential to establish itself as a new housing model in Seoul's increasingly competitive real estate market.

3. Creation of Co-living in Seoul

3.1 Major Players

Since co-living emerged as a new asset class around 2015, driven by the aforementioned market dynamics, Korean conglomerates and local startups have entered the rental housing sector, followed by international players. This thesis examined the business strategies of key players in the co-living market to better understand their approaches.

1) Local Stitch[15]

Local Stitch, launched in 2015, operates the largest number of co-living properties in Seoul, targeting creators. Its business model uniquely integrates co-living, co-working and retail spaces (with retail defined as a co-working space for entrepreneurship The company strategically focuses on creative hubs such as Hongdae, Gangnam, and Garosu-gil—areas popular among young, innovative individuals—as part of its expansion.[16] In collaboration with Lotte Hotel, Local Stitch also launched a 296-unit community hotel, blending co-living and hospitality.

The company views co-living as a community where millennials can network and grow together, focusing on a combined offering of space and services rather than merely real estate rentals. Its goal is to foster voluntary networks among residents, encouraging various initiatives and personal growth. Local Stitch operates on a membership model, granting members access to all its properties, and enhances its value proposition by leasing commercial spaces to local businesses, pursuing a win-win strategy that benefits both the company and the community.

2) Homes Company[17]

Founded in 2015, Homes company leverages its expertise in real estate brokerage to develop co-living spaces. The company views co-living as a serviced studio, offering not only private living spaces but also common areas and convenience services such as fitness lessons and laundry assistance.[18] Homes company emphasizes enhancing common areas, creating shared spaces where residents can engage in activities typically done in cafes or external locations.[19]

In 2023, the company strategically partnered with ICG, a UK-based asset management company, and created a real estate fund to develop and operate co-living spaces. The company acquired 4 properties through this vehicle and introduced a new business model that integrates co-living and short-term rentals within the same properties.[20] Diversifying its portfolio, the company now operates co-living spaces, short-term rentals, and co-village (live and work complex) businesses in Seoul, Goseong, and Japan. Currently in the process of raising Series C funding, the company is aggressively scaling its operations and diversifying its business model.

3) SK D&D[21]

An affiliate of SK Group, one of the major Korean conglomerates, SK D&D specializes in real estate development and operates its co-living brand under the brand name 'Episode', currently the largest operator in the market with approximately 2,041 bedrooms. Initially launched as a corporate rental housing provider, the company sought to address the challenges faced by single-person households, such as unstable contracts and high rents. The company defines co-living as a modern housing model developed in response to the demand for higher-quality living. By offering shared spaces and premium amenities, the company aims to enhance both affordability and living standards. Its focus lies in fostering community and connection, creating small societies where residents can interact, grow, and build meaningful relationships.

Moreover, Episode views co-living as a temporary space for residents to achieve their personal goals, targeting young adults, defined more by their vibrant approach to life than by their age. To provide residents with unique experiences, each property is designed with a unique concept. Differentiating itself from competitors, Episode offers luxury housing solutions with premium designs and a wide range of amenities, including standard features like kitchens, gyms, and co-working spaces, as well as unique offerings such as conference rooms, pet care facilities, and indoor golf simulators. By prioritizing privacy with studio units featuring private bathrooms and kitchens, Episode appeals to tenants seeking an upscale co-living experience.

4) MGRV[22]

Launched in 2020, MGRV has been actively expanding its portfolio through strategic partnerships with IGIS asset management company and Koramco REITs management company. The company aims to provide high-quality living experience at an affordable price, fostering interactions among residents from diverse backgrounds. The company's vision is to shape a community of individuals who respect and embrace differences, which it considers its key differentiator.[23]

In terms of offerings, the company provides a variety of room types, including standard studio units, dormitory-style rooms, and apartment-style units. Notably, its apartment-style units are a unique offering in Seoul market, where most competitors are providing studio rooms with or without private bathrooms and kitchens. For instance, at Mangrove Shinchon, three residents in a single unit lease their own private bedroom and share common spaces such as a bathroom, kitchen, and living room. This setup was initially prohibited under existing regulations until the government introduced rental dormitories as a new subcategory under the construction law. Through the regulatory sandbox program, Mangrove Shinchon became Korea's first legal facility of its kind. Additionally, the company is diversifying its business by developing senior housing in Seoul and operating work & stay properties in Jeju and Goseong.

Operator	Local Stitch	Homes Company	SK D&D	MGRV
Brand	Local Stitch	Homes Studio	Episode	mangrove
Type of Business Entity	Start-up	Start-up	Conglomerates	Start-up (Spun off from HGI)
Launch Year	2015	2015	2020	2020
Location	23 locations in Seoul	4 locations in Seoul	7 locations in Seoul	4 locations in Seoul
Current Capacity	N/A	156 beds	2,041 beds	1,012 beds
Customer Segments	Creators (working professionals, students)	Working professionals, students	Young Adults (working professionals, students)	Young Professionals (working professionals, students)
Business Model	Co-living & Co-working & Short-term rentals	Co-living & Short-term rentals Co-village	Co-living	Co-living & Short-term rentals Work & stay Senior housing
Financing	Secured Series A in 2021 (Total funding $ 9M)	Secured Series B in 2022 (Total funding $ 13M) / Currently raising Series C funding	Affiliate of SK Group	Secured Series B-2 in 2022 (Total funding $ 22M)

Figure 10. Summary of Major Local Co-living Players[3]

5) International players

Along with the active movements of local players, more recently, major international investors such as KKR, Hines, and Morgan Stanley, have begun turning their attention to the Seoul rental housing market, including co-living assets. This shift is driven by similar trends observed globally. With strong rental demand in urban areas, particularly from single-person households, the multifamily sector became increasingly attractive to investors. Korea's unique rental system, called Jeonse, has historically made international companies hesitant to enter Seoul's residential market. However, as the preference started to shift towards a monthly rental system (wolse) and local players started to supply institutionalized rental housing in the market, international investors are now identifying new opportunities in this market.

For example, the UK-based asset management firm, ICG, established a real estate fund in 2023 with local co-living operator, Homes company, to develop co-living facilities in South Korea. Similarly, Morgan Stanley and Gravity, the local asset management company, acquired its first residential property in Seoul. They partnered with SL Platform to convert the property into 130-unit co-living housing.[24] Additionally, KKR and Weave Living, a Hongkong-based rental housing company, formed a strategic partnership and acquired a hotel in Yeongdeungpo district to convert it into 157-unit co-living space.[25] Their long-term goal is to invest in a total of 1,200 rental homes, focusing on the Seoul market. Furthermore, Cove, an international co-living operator, has formed a

[3] Based on information from the companies' websites and published articles

joint venture with Honors Asset Management recently to develop co-living space.[26] These recent market movements are showing the increasing interest of global players in Seoul's co-living sector.

3.2 Regulation Change[27]

In response to the increased demand for dormitory style rental housing and the active supply of co-living properties, the government introduced the amendment to decree of the construction law in March 2023, establishing "rental dormitories" as a new subcategory under dormitories. This amendment aims to meet the demand and encourage the private development of co-living properties by allowing private enterprises to develop rental dormitories.

Earlier, due to the absence of relevant regulations, co-living facilities had to comply with the regulations of other types of sectors, such as residential and office. Furthermore, dormitory operations were restricted to schools and factories for students and employees, respectively. However, the new decree allows private housing operators to develop and operate rental dormitories, supporting the growth of the co-living market.

4. Market Potential of Co-living business in Seoul

Currently, each local player has slightly different strategies, while international investors just began to enter the market, acquiring properties or land to renovate or develop co-living assets. Since co-living is still a relatively new market, its long-term feasibility has yet to be fully tested.

Despite the continuous growth in single-person households and the expansion of the co-living market, which has attracted an increasing number of providers and investors, it remains important to assess the market potential of the co-living model. This necessity is further emphasized by the recent bankruptcies of major global co-living operators in other markets. The pandemic and the resulting economic downturn brought significant challenges to the co-living sector, particularly in urban rental markets like New York City, where high vacancies negatively impacted demand. Notably, WeLive, the residential arm of WeWork, closed in the summer of 2020. Similarly, Quarters and The Collective filed for bankruptcy in January and September 2021, respectively. The most recent collapse of Common Living in 2024 further highlights the difficulties facing even the largest operators. Common Living was the largest co-living provider in North America, after merging with Berlin-based company Habyt, operating over 30,000 units globally, including 5,200 units across 12 U.S. cities.[28] Furthermore, in Korea, additional uncertainty lies in whether the preference for the monthly rental (wolse) system will persist or whether the market will revert to favoring Jeonse.

Given these uncertainties, this thesis examines the market potential of the co-living model by employing the Total Addressable Market (TAM), Serviceable Available Market (SAM), and Serviceable Obtainable Market (SOM) framework (Figure 11). These three key metrics help in projecting the market size and evaluating the long-term viability of the co-living business model.

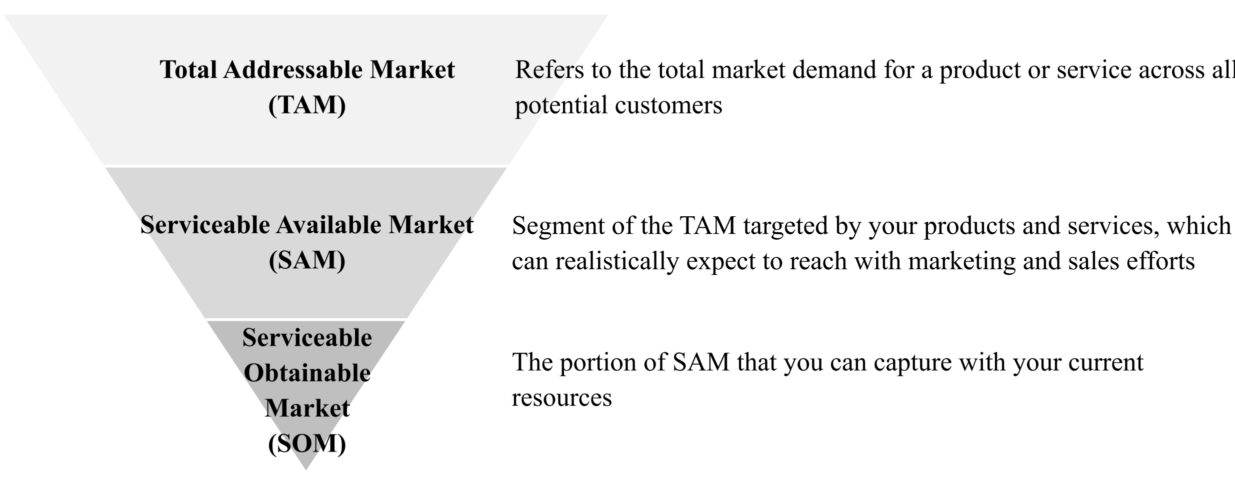

Figure 11. TAM – SAM – SOM Framework[29]

4.1 Market Size Projection

1) TAM-SAM-SOM Framework

1-1) Total Addressable Market in 2023

Calculation Rationale

A. Target market / Total potential customer base: The broader range of demographic targets of the co-living business is single-person households in their late 10s to 40s, including students, young professionals, and freelancers. As the business operates on a monthly rental (wolse) system, the targeted segment consists of individuals currently residing in rental housing rather than those who own their homes, encompassing both Jeonse and Wolse systems.

B. Potential revenue income per customer: The rental level of the co-living assets can be estimated based on the rental level of officetels in the vicinity. Officetels are frequently compared to co-living properties, as both are tailored for single-person households and are classified as quasi-residential under the Enforcement Decree of the Building Act. According to Savills, the co-living rents are priced approximately 10 to 30% higher than comparable officetels, with variations depending on the district properties located in.[30]

Thus, the Total Addressable Market (TAM) for 2023 is calculated as follows:

TAM = [The number of single-person households in Seoul aged 49 or below][31] * [The proportion of individuals in their 20s to early 30s currently residing in rental housing][32] * [Average annual rents of Officetel units smaller than 40 m²] [33] * [Co-living rent premium]

= 1,045,000 households * 81% * KRW 647,611 /month *12 * 120%

= 846,700 households * KRW 9,325,595 /year

= KRW 7,896 billion (USD 5.38 billion)[4]

1-2) Serviceable Available Market in 2023

Calculation Rationale

A. Reachable target market: Co-living properties are strategically located near university campuses and major business districts, primarily targeting university students and young

[4] As of January 4, 2025, the exchange rate was 1 USD = 1,467 KRW.

professionals. According to a report by the Ministry of Land, Infrastructure and Transport, the ownership rate of homes among individuals aged 19 to 34 is notably low. Therefore, the most reachable demographic target for co-living businesses comprises individuals in their 20s to 30s, who are less likely to own their homes and more likely to seek rental accommodation. However, the statistical data available categorizes single-person households in Seoul into two age groups: aged 29 or below, and 30 to 39. This categorization is used to ensure the SAM calculation covers the full spectrum of potential market participants, under the assumption that the majority of individuals in both categories fall within the target age group.

B. Reachable customer base: The business operates on a monthly rental (wolse) system, as opposed to the traditional Jeonse system. Given the longstanding prevalence of the Jeonse system in Korea, renters within this system may face barriers to transitioning to the wolse system. Consequently, the realistically reachable customer base is likely to be renters who are already accustomed to the wolse system.

Given both demographic rationale and business model context, serviceable available market (SAM), the portion of the market that co-living business can realistically target, is calculated as follows:

SAM = [The number of single-person households in Seoul aged 39 or below][34] * [Ratio of monthly rental transactions in total rental transactions of non-apartment properties][35] * [Average annual rents of Officetel units smaller than 40 m²] * [Co-living rent premium]

= 839,000 households * 63.7% * KRW 647,611 /month *12 * 120%

= 432,853 households * KRW 9,325,595 /year

= KRW 4,037 billion (USD 2.75 billion)[5]

1-3) Serviceable Obtainable Market in 2023

Calculation Rationale

A. Capturable target demand: The market size that co-living businesses can realistically capture with current resources is linked to the existing stock in the market. According to a Savills Korea report, the current stock of co-living units totals approximately 7,000 beds, accounting for about 1.6% of the SAM.

[5] As of January 4, 2025, the exchange rate was 1 USD = 1,467 KRW.

B. Realistic occupancy rate: For the calculation of TAM and SAM does not consider a realistic occupancy rate, as these figures represent theoretical and potential target demand. However, for SOM, applying a viable occupancy rate provides a more accurate measure of the market size that co-living businesses can serve with existing capacity. According to SK D&D, the largest co-living provider in the Seoul market, which operates approximately 2,041 units across 7 properties, the average occupancy rate is 90%. Given the significant market presence of SK D&D, this thesis considers a 90% occupancy rate as a reasonable assumption. This figure is justified by the current growth phase of the co-living market, where it is expected that the entire supplied stock will address the unmet demand.

Therefore, serviceable obtainable market (SOM) in 2023 is calculated as follows:

SOM = [Existing co-living stock] * [Average annual rents of Officetel units smaller than 40 m²] * [Co-living rent premium] * [Average market occupancy rate]

= 7,000 bedrooms * KRW 647,611 /month *12 * 120% * 90%

= KRW 59 billion (USD 0.04 billion)[6]

2) Market Size Projection

Market sizes are projected based on the population projections from Korea statistics. This approach relies on demographic trends, including changes in age distribution and economic factors that influence household formation and preferences for housing types. By aligning our market size projections with these official statistics, we aim to ground our forecasts in data that reflect anticipated changes in the population likely to impact demand for co-living spaces. The projections for TAM, SAM, and SOM are developed on the following major assumptions.

2-1) TAM Projection

	Single-Person Households	Percentage of Total Households	Single-Person Households (49 of below)	Renter Ratio	TAM (Households)	TAM (Market size)[7]
Unit	*(1,000)*	*(%)*	*(1,000)*	*(%)*	*(#)*	*(KRW, billion)*
2023	1,689	39%	1,045	81%	846,700	7,896
2025 (E)	1,759	41%	1,071	83%	889,070	8,291
2030 (E)	1,877	43%	1,083	85%	920,607	8,585
2035 (E)	1,924	43%	1,033	85%	878,439	8,192
2040 (E)	1,937	44%	983	85%	835,535	7,792

Figure 12. The Projection of Total Addressable Market (2023 ~ 2040)

[6] As of January 4, 2025, the exchange rate was 1 USD = 1,467 KRW.
[7] For simplicity, rent is based on 2023 average annual rents of Officetel units smaller than 40 m² with 20% premium.

- Assumption: The proportion of individuals currently residing in rental housing

According to the 2023 residential conditions survey conducted by the Ministry of Land, Infrastructure and Transport, 81% of individuals aged 19 to 34 currently reside in rental housing. Considering the growing trend of rental housing market, this thesis assumed that the proportion will increase, but will not exceed 85%. This upper limit is based on the recent trends in homeownership rates and the rates of young households living in owned homes (Figure 13). Both rates have been declining since 2017. Specifically, 15.9% of young households aged 19 to 34 own their homes, and 14.6% of them reside in their homes.

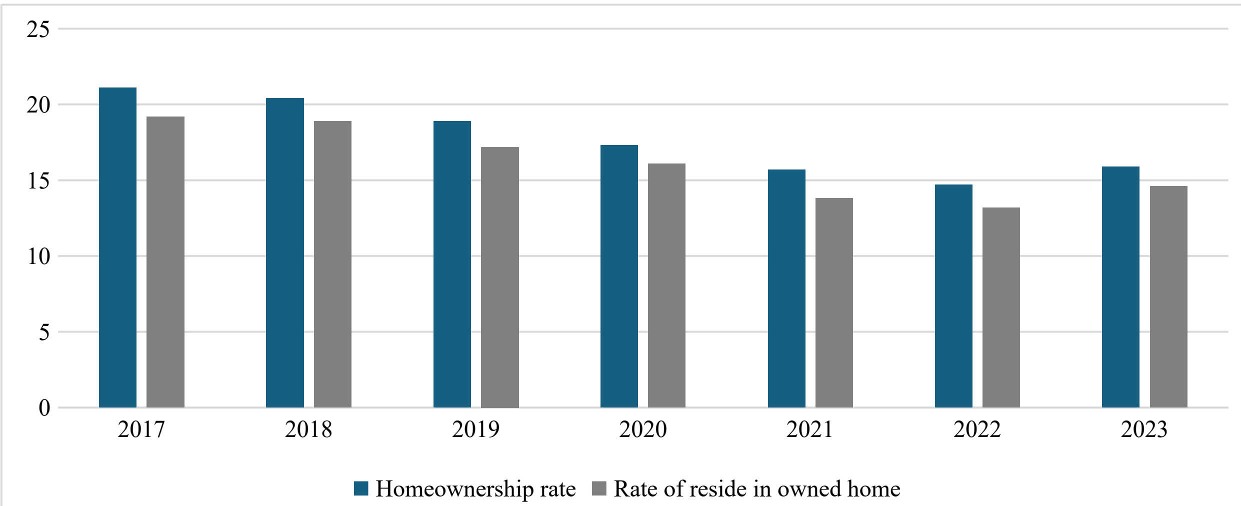

Figure 13. Housing Tenure of Young Households [36]

2-2) SAM Projection

	Single-Person Households (39 or below)	Percentage of Total Single-Person Households	Ratio of Monthly Rent Transactions	SAM (Households)	SAM (Market size)[8]
Unit	*(1,000)*	*(%)*	*(%)*	*(#)*	*(KRW, billion)*
2023	839	50%	64%	432,853	4,037
2025 (E)	860	49%	68%	483,298	4,507
2030 (E)	869	46%	70%	514,886	4,802
2035 (E)	805	42%	70%	477,011	4,448
2040 (E)	734	38%	70%	434,726	4,054

Figure 14. The Projection of Serviceable Available Market (2023 ~ 2040)

[8] For simplicity, rent is based on 2023 average annual rents of Officetel units smaller than 40 m² with 20% premium.

- Assumption: Ratio of monthly rental transactions in total rental transactions of non-apartment properties

The December 2023 residential statistics report by the Ministry of Land, Infrastructure and Transport shows that 63.7% of the total rental transactions were monthly rentals (wolse). Also, given the increasing trend of wolse transactions over the past 5 years (Figure 8) and the expected increase in the percentage of rentals (assumed for the TAM projection), this ratio is expected to increase. However, this thesis assumed a cap of 70% is for this ratio, acknowledging the fact that Jeonse is historically prevailed rental transactions in Korea. Notable, according to the Ministry of Land, Infrastructure and Transport, the ratio exceeds 50% for the first time since 2011 in 2022.

2-3) SOM Projection

	SAM (Households)	SAM (Market size)	Market Penetration Rate	Co-living Capacity	SOM (Market Size)[9]
Unit	*(#)*	*(KRW, billion)*	*(%)*	*(bedrooms)*	*(KRW, billion)*
2023	432,853	4,037	1.46%	7,000	59
2025 (E)	483,298	4,507	2.20%	11,812	99
2030 (E)	514,886	4,802	7.64%	43,688	367
2035 (E)	477,011	4,448	20.51%	108,710	912
2040 (E)	434,726	4,054	24.76%	119,581	1,004

Figure 15. The Projection of Serviceable Obtainable Market (2023 ~ 2040)

- Assumption: Co-living Capacity Growth Rate

SK D&D, the largest co-living provider in Seoul, has announced an ambitious expansion plan to provide co-living units for 50,000 households by 2026.[37] Additionally, in February 2024, Seoul city also announced a co-living development project for single-person households, with a goal of supplying 20,000 units by 2029.[38] If these plans are fully realized, the co-living market in Seoul would experience a CAGR of 39.5% from 2023 to 2029.

However, this growth rate appears aggressive when compared to historical trends of Seoul market and global market projections. According to a report[39], the global co-living market is expected to expand at a CAGR of 29.9% through 2028. Furthermore, Savills Korea report shows that co-living market supply showed a CAGR of 20.5% from 2014 to 2023. Considering the potential delays in development and construction timelines, it seems reasonable to adopt a more conservative growth estimate. Therefore, this thesis assumes a CAGR of 29.9% through 2030, followed by a decreased rate to 20% through 2035, and further slowing to 10% through 2040 due to anticipated market maturation.

[9] For simplicity, rent is based on 2023 average annual rents of Officetel units smaller than 40 m² with 20% premium.

2-4) Summary

The projections for TAM, SAM, and SOM are as follows (Figure 16, 17). While TAM and SAM are expected to increase through 2030, they are projected to decline thereafter. In contrast, SOM is anticipated to continue growing until the market penetration rate reaches 24.76%. A detailed explanation of this trend will be provided in the following section.

	TAM (Households)	TAM (Market size)	SAM (Households)	SAM (Market size)	Market Penetration Rate	SOM (Co-living Capacity)	SOM (Market Size)
Unit	*(#)*	*(KRW, billion)*	*(#)*	*(KRW, billion)*	*(%)*	*(bedrooms)*	*(KRW, billion)*
2023	846,700	7,896	432,853	4,037	1.46%	7,000	59
2025 (E)	889,070	8,291	483,298	4,507	2.20%	11,812	99
2030 (E)	920,607	8,585	514,886	4,802	7.64%	43,688	367
2035 (E)	878,439	8,192	477,011	4,448	20.51%	108,710	912
2040 (E)	835,535	7,792	434,726	4,054	24.76%	119,581	1,004

Figure 16. The Projection of TAM, SAM, and SOM (2023 ~ 2040)

	TAM	SAM / TAM	SOM / SAM	SOM / TAM
2023	100%	51%	1.46%	0.75%
2025 (E)	100%	54%	2.20%	1.20%
2030 (E)	100%	56%	7.64%	4.27%
2035 (E)	100%	54%	20.51%	11.14%
2040 (E)	100%	52%	24.76%	12.88%

Figure 17. The Proportion of Projected TAM, SAM, and SOM (2023 ~ 2040)

4.2 Potential Threats and Mitigation Strategies for Co-living Business in Seoul

1) Demographic Shifts

The increase trend in the number of single-person households, renter ratios, and the preference on monthly rental transactions are expected to continue through 2040, potentially enlarging the total addressable market (TAM) and serviceable available market (SAM) for co-living operators. However, this outlook is complicated by the rapid increase in the aging population due to low birth rates.

The primary target demographic for co-living businesses is individuals in their 20s to 30s, and the proportion of these groups is expected to shrink. Particularly, the estimated number of single-person households aged 29 or below has already decreased in 2023 and the number is projected to decrease continuously (Figure 18). This trend leads to the reduction in size of TAM and SAM beginning in 2030, even with a growing preference for rental housing and monthly rental systems (Figure 19). Moreover, according to the projection data from Korea statistics, the number of total households will start decreasing from 2042, further impacting TAM and SAM.

	29 or below	Percentage	30s	Percentage	40s	Percentage
Unit	(1,000)	(%)	(1,000)	(%)	(1,000)	(%)
2018	327	26%	285	22%	183	14%
2019	357	26%	300	22%	185	14%
2020	388	27%	321	22%	190	13%
2021	416	27%	347	22%	197	13%
2022	435	27%	370	23%	203	12%
2023	447	26%	392	23%	206	12%
2024 (E)	439	25%	411	24%	209	12%
2025 (E)	430	24%	430	24%	211	12%
2030 (E)	377	20%	492	26%	214	11%
2035 (E)	354	18%	451	23%	228	12%
2040 (E)	338	17%	395	20%	249	13%

Figure 18. The Projection of Age distribution of Single-Person Households (Source: Korea Statistics)

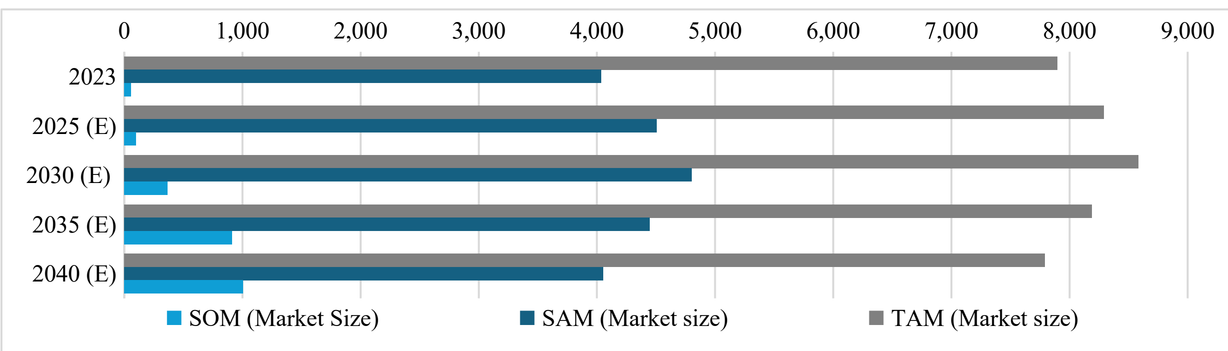

Figure 19. Projection of TAM, SAM, and SOM

Despite these challenges, co-living businesses have significant scalability potential if the market penetration rate increases. As more operators enter the market and expand co-living capacity, the serviceable obtainable market (SOM) is expected to grow continually.

2) Operational Considerations

The penetration rate of co-living spaces, in addition to supply or co-living capacity, is strongly influenced by the preferences of single-person households—specifically their willingness to share space with strangers and their interest in community engagement. These preferences will be tested as the market matures and becomes more competitive. They might be measured through tenant surveys or reflected in tenant retention rates and occupancy rates.

This thesis conducted a sensitivity analysis based on varying occupancy rates (Figure 20). As noted earlier, the current average occupancy rate for SK D&D, the largest co-living provider in Seoul, is 90%. The analysis shows that the gap in market share between full occupancy and 60% occupancy widens as the market matures. the importance of co-living providers focusing not solely on aggressive expansion but also on establishing an efficient operation strategy and delivering services that effectively meet the needs of their target customer base.

Assuming a growth rate of 29.9% from 2023, the projected market share in 2024 is 1.79%, suggesting that a minimum occupancy rate of 80% is necessary for sustainable business growth. Furthermore, to achieve the projected 2035 market share under full occupancy, the required occupancy rate is approximately 85%. These findings highlight the critical role of maintaining a certain level of occupancy to ensure the long-term viability and success of co-living businesses.

Division		Market Share			
		2025	2030	2035	2040
Occupancy	100.00%	2.44%	8.48%	22.79%	27.51%
	95.00%	2.32%	8.06%	21.65%	26.13%
	90.00%	2.20%	7.64%	20.51%	24.76%
	85.00%	2.08%	7.21%	19.37%	23.38%
	80.00%	1.96%	6.79%	18.23%	22.01%
	75.00%	1.83%	6.36%	17.09%	20.63%
	70.00%	1.71%	5.94%	15.95%	19.25%
	65.00%	1.59%	5.52%	14.81%	17.88%
	60.00%	1.47%	5.09%	13.67%	16.50%
Differences in the scenario between 100% and 60% OCC		0.98 pp	3.39 pp	9.12 pp	11.00 pp

Figure 20. Sensitivity Analysis of Market Share Based on Varying Occupancy Rates

3) Uncertainties Surrounding Rental Transaction Systems

As the co-living market expands with the shift toward monthly rental system (Wolse), the possibility of reverting back to Jeonse system poses a huge threat. Such a shift would negatively impact on the projected size of SAM in this thesis, since the calculation is based on the proportion of Wolse transactions.

Jeonse system remains a fundamental component of the Korean housing market, deeply rooted in its history and continuing to have a major influence on Korean society. Factors, such as changes in government policies, economic conditions, and evolving social perceptions, will play a critical role in shaping the choice between Wolse and Jeonse systems.

- Economic Conditions

There is ongoing debate about how changes in economic conditions affect the Jeonse and Wolse systems. Some argue that as the economy recovers and interest rates go down, the demand for Jeonse system may increase again.[40] This is based on the opposite logic of what occurs during economic downturns and periods of high interest rates, when it becomes difficult for tenants to afford large lump-sum deposits required for Jeonse transactions. In recovering economy, where the risk on housing price depreciation is low and debt service is becoming manageable, both landlords and tenants may favor Jeonse.

On the other hand, many experts suggest that a decline in interest rates could further shift the rental market towards Wolse.[41] With the limited investment options with sufficient returns and low deposit interest rates, landlords may prefer Wolse as a way to secure a steady income stream.

Ultimately, the choice between Jeonse and Wolse will depend on several factors. For landlords, the decision may hinge on the trade-off between potential property value appreciation and a stable monthly rental income. For tenants, it may come down to weighing the financial burden and risks associated with Jeonse, such as the challenge of securing a large deposit, interest payments, and the risk of Jeonse fraud, against the steady but potentially higher financial outlay of Wolse.

These preferences will be shaped not only by economic conditions but also by changes in government policies and shifts in social perceptions.

- Government Policies

In terms of government policies, the trend appears to favor Wolse transactions. The Minister of Land, Infrastructure and Transport stated that the Jeonse system is showing its limitation and nearing the end of its lifespan in Korea.[42] As a safer alternative to address Jeonse fraud, the Ministry of Land, Infrastructure and Transport is considering introducing corporate long-term rental housing, a private rental model managed by corporate landlords. Under this model, 100 or more units would be leased for a minimum of 20 years. Unlike traditional rental housing, which is often sold after the mandatory rental period, these units will continuously be leased while offering various housing services.

- Social Perceptions

Social perceptions of the Jeonse and Wolse systems will also play an important role in shaping the trend. Traditionally, people have preferred Jeonse over Wolse, believing that paying monthly rent under the Wolse system makes it harder to save for a future home purchase. According to the market research firm, Embrain Trend Monitor, 69.8% of respondents[10] expressed the opinion that it would be better to buy their own home, even a small one, rather than pay monthly rent for co-living.[43] This reflects a strong preference for a stable living environment and the desire for

[10] Conducted a survey on "shared housing" among 1,000 men and women nationwide, aged 16 to 64, who have experience with moving.

homeownership. Such attitudes were more pronounced among respondents aged 30 and older. On the other hand, only a small portion (12.6%) of respondents said they would be willing to live in shared housing even if the cost of living there was relatively high.

However, perceptions of Jeonse are beginning to shift as people become more aware of its limitations, including the risks of Jeonse fraud and the heavy burden of securing a large lump-sum deposit. If this awareness grows and co-living spaces are seen as valuable alternatives, more people may start to favor the Wolse system. Ultimately, the choice between Jeonse and Wolse will depend on how individuals weigh the advantages and disadvantages of each rental system and housing option.

Therefore, it is recommended that co-living operators focus on maintaining affordable rental levels while effectively demonstrating their value to the market. This includes emphasizing high landlord credibility and flexible lease term, and offering professional services to attract the retain tenants, ensuring the long-term viability of the Wolse market.

5. Conclusion

Despite the projected population decline starting in 2042 due to low birth rates, market projections reveal sizeable growth potential of co-living. The increasing trend of single-person households is expected to drive growth, with TAM and SAM peaking by 2030, while SOM continues to expand beyond the current market penetration rate of 1.46% as the co-living businesses scale their capacity. However, this thesis also identifies potential threats that could constrain the long-term growth of co-living including demographic shifts, operational challenges, and competition from traditional rental transaction system, Jeonse.

To ensure sustainable growth, this study recommends that co-living operators balance operational efficiency with offering value-added housing services that justify Wolse rates. Simply expanding capacity will not secure a long-term tenant base. Operators would need to clearly communicate their value proposition and appeal to the market to establish a strong position. By optimizing operations and enhancing tenant experiences, they can strengthen their competitiveness in the evolving rental market.

According to the market research firm, Embrain Trend Monitor, the primary reason single-person households prefer co-living is the perceived reduction in financial burden (70.2%, multiple responses). Additionally, many respondents are attracted to shared housing because they believed it would help alleviate loneliness (41.7%), provide a sense of fun (36.8%), and offer a feeling of belonging to a community (35.6%). These findings highlight the importance of addressing both financial and social needs. Co-living providers can meet these expectations through efficient cost management and by creating environments that encourage social interaction and community building.

While these strategies are applicable in other cities, they are especially critical in the Seoul market, where the Jeonse system remains a strong and historically favored alternative. Moreover, with the government's focus on expanding rental housing and promoting safe and sustainable living options, co-living businesses that align with these objectives are better positioned for long-term growth and policy support.

In Seoul, co-living serves a dual mission: introducing an innovative housing model to the market and reshaping the paradigm of the Wolse rental housing system. To succeed, co-living operators must clearly articulate their unique value proposition, addressing both the housing needs of urban residents and the broader evolution of the rental market. By doing so, they can solidify their role in shaping the future of Seoul's housing landscape.

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