

Brooklyn Startup Supplies the Apartment, Furniture, and Roommates

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In the Crown Heights neighborhood of Brooklyn, N.Y., an unassuming town house built in 1931 has received some very modern updates. The doors of the building's four 1,400-square-foot apartments can be unlocked by residents' Apple Watches and iPhones. The retro-looking lightbulbs hanging over the kitchen counter are energy-efficient LEDs. The "smart mattresses" are provided by startup Casper, the luxury sheets come from Parachute, and the private social network is being custom-built. To qualify for one of the 19 bedrooms in the semicommunal setup, you need to pass a background check; once you're accepted, you must sign a month-to-month rental contract—but that's all done online, without a single Realtor.

This is the first building run by Common, a startup using tech amenities and rent-as-you-go flexibility to lure peripatetic urbanites with movable jobs and freelancer incomes. The price tag per bedroom—the size ranges from 100 sq. ft. to 150 sq. ft.—is \$1,800 to \$1,950 a month. That includes utilities and house basics like cooking oil, salt, paper towels, and Swiffers. Most of the rooms are pretty similar, with rough-hewn wood furniture and minimalist lamps, an aesthetic that Common founder Brad Hargreaves calls Hudson Valley Americana.

With online contracts, tenants can use Common's app each month to move into other available rooms in the building and—eventually, as the company expands—to apartments in San Francisco, Los Angeles, or elsewhere in New York's \$50 billion rental market. "Just wheel in a suitcase," says Bridgette Farrer Muir, Common's director of admissions. The first Crown Heights residents began moving in at the end of October; the company says its next building, in the same neighborhood, will open by the end of the year.

Common is part of a trend called co-living, a Silicon Valley spin on the hippie collectives from California's past. It's selling a lifestyle enabled by the Internet: communes for digital nomads. "You can stay in one place and move anytime to another place. It's like having an apartment everywhere," says Kirill Sopot, co-founder of San Francisco's Coliving Club, a chain of four houses.

Beyond New York and California, office-space company WeWork is getting into the co-living business through its WeLive division. The first WeLive building—a 12-story collection of 360-square-foot micro-apartments—is slated to open by yearend in the Crystal City neighborhood of Arlington, Va. In internal documents published by *BuzzFeed*, WeWork projected that its co-living arm would account for as much as 22 percent of total revenue by 2018. (The company declined to comment for this story.) Other early co-living developers include Nest Copenhagen, which runs a building with several dozen rooms; Caravanserai, which is scouting buildings in Mexico City, Lisbon, and Bali; and Sende, which bought a handful of homes in a tiny village in northern Spain.

For developers such as Common, replacing each step of the residential real estate process—Realtor, property manager, roommate scout—is a big part of the sales pitch. "We are really a full-stack company," says Hargreaves, 29, appropriating the term for a programmer familiar with each layer of a coding job. "Obviously we're not a hotel, but it feels a little more like that from a service perspective."

Hargreaves started Common in April after noticing that the students at his first startup, the coder-training company General Assembly, couldn't find temporary places to stay while taking classes. "They would end up living in a basement room in the East Village," he says. In July he teamed up with real estate company Quantierra to buy and begin remodeling the Crown Heights building; Quantierra will receive 25 percent of the rental profits. That month, Common announced a \$7.4 million round of funding that valued the company at \$20 million.

Co-living startups are looking beyond the tech industry for boarders. The Embassy Network house in San Francisco emphasizes its draw as a friendly environment for artists and musicians. In New York, where according to Zillow 42 percent of adults have

roommates, Farrer Muir says she received more than 300 applications for Common's first 19 spots. The initial residents include nonprofit executives, ad account managers, and graphic designers, along with software developers and startup founders. That doesn't mean co-living apartments come cheap. Common's residents could live alone for less than the price of having three roommates: The average rent for a studio in Crown Heights is \$1,723, according to real estate researcher MNS. Nearby, "Williamsburg already has so many cool apartments, why not just let people post things online and find their ideal match?" asks Ajay Yadav, founder of online roommate-matching service Roomi, which launched in San Francisco in October. Hargreaves says the sense of community attracts applicants willing to pay a premium. Sopot's Coliving Club charges a much lower \$960 a month per person, but at least two people generally share each bedroom. Sopot says his residents "are not searching for privacy. They are searching for realization of their goals."

Some people, of course, may decide more privacy is one of their goals. This year, *Fast Company* reporter Sarah Kessler spent six months living in a Brooklyn co-living apartment run by startup Campus and quickly became frustrated having to make small talk every time she wanted to use the bathroom. New York University psychologist Niobe Way, who studies the impact of the Internet on social relationships, says facilitating interpersonal connections isn't as easy as cutting down on personal space. "People want the connection so badly but don't want to put in the time to make it happen," she says. "You don't want the alienating feeling of staying in a hotel, even if you think you want that."

High overhead may be a bigger problem. Campus shut down at the end of August, citing a lack of profitability. Hargreaves says that won't happen to Common, because it's expanding more carefully with a small number of longer-term, 10- to 15-year leases. "We're long-term incentivized to build a community," he says. "We're not hiring some third-party property manager to just deal with it." As Common scouts for its next buildings in Brooklyn, though, it's finding it tough to ignore the reality of New York's real estate market: There's always someone willing to pay more. Just outside the Crown Heights apartment, Hargreaves looks at the warren of temporary plywood walls around a number of construction sites. "They're building condos right there," he says. Those well-appointed dwellings are likely to be Common's biggest competition. It turns out not even startups are safe from gentrification.

Identify 7 to 10 items of their business model.