A FREE GUIDE

NEW CONSTRUCTION · COLIVING

Build or Convert: The Coliving Decision Guide



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NEW CONSTRUCTION COLIVING

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INSIDE

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INTRODUCTION

What Coliving Is & Whether to Build or Convert



KEY POINT

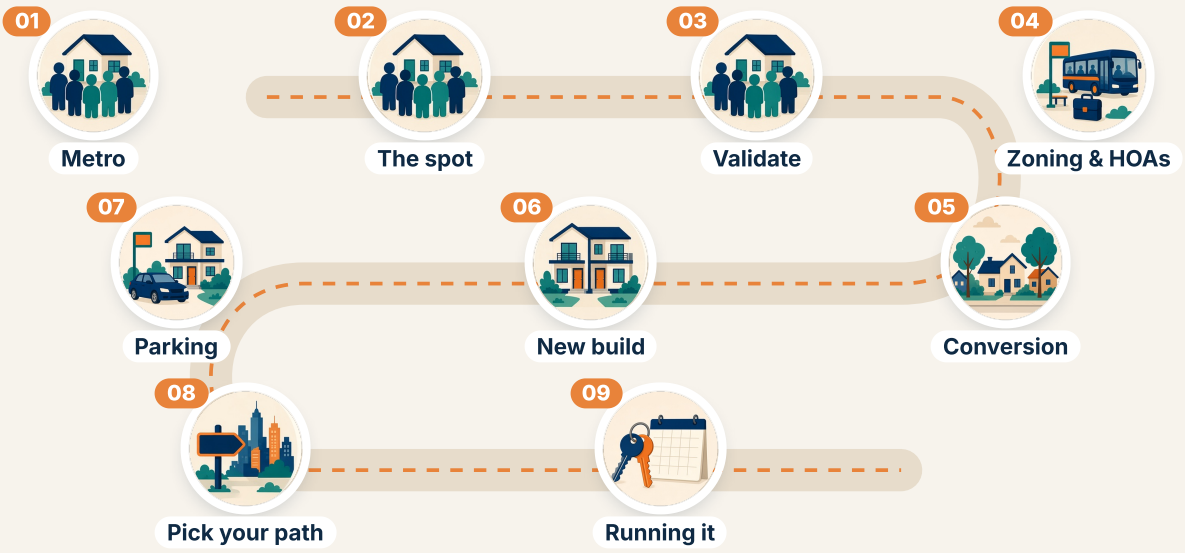
Every renter gets a furnished private bedroom in a shared home, close to work.

Renting by the room is growing fast as densely populated cities run short of affordable housing. Rents have climbed faster than paychecks, so many working people can't afford even a studio or a one bedroom apartment near their jobs. Traveling workers, like travel nurses and contractors, also need furnished places they can rent for a few months. That gap is the problem, and coliving is the opportunity. Each renter gets a furnished private bedroom and shares the rest of the home, with utilities included.

There are two main ways to create a coliving home. A conversion turns an existing house into more bedrooms. It's often quicker to start, but it can come with older systems, shared bathrooms and layout limits. New construction is designed for coliving from the start, often with a private bathroom for every bedroom, but it takes more time and money up front. Each path fits different budgets, timelines and goals.

This guide helps you weigh both paths, from picking the spot to running the home, so you can avoid the most common mistakes.

Your roadmap



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01 CHAPTER 1 Choosing Your Location

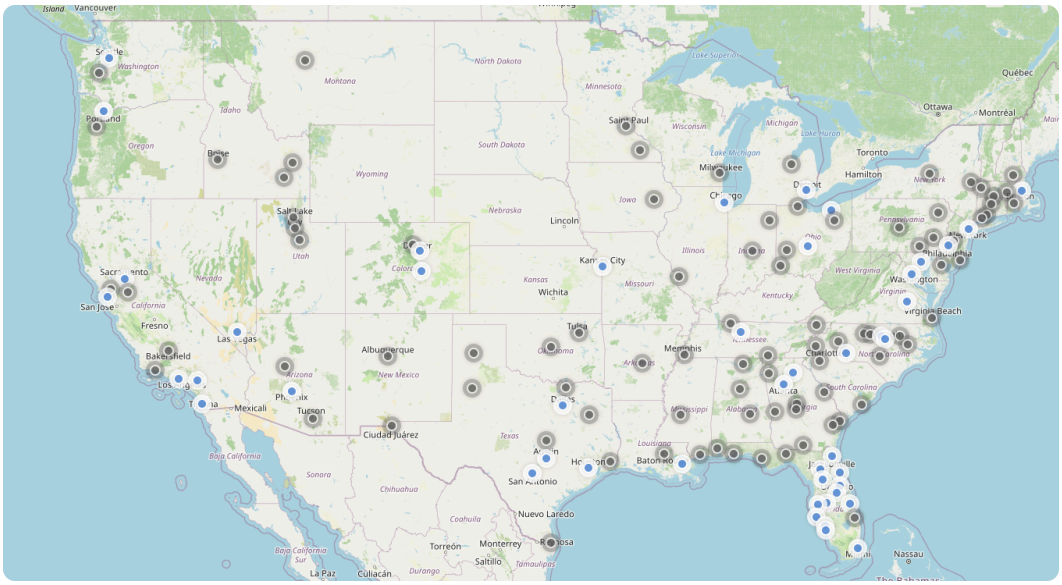
KEY POINT **Let data pick your metro. Proven metros show where renters are actively searching.**

Narrow your location in two steps, macro then micro, then validate it with real numbers.

Step 1 Macro: Pick a proven metro

PadSplit, which calls itself the largest coliving marketplace in the USA, reports over 1 million searches on its platform every month. It runs paid search ads and ranks near the top of Google for renter searches, so its markets show where renters are actively looking.

Even if you never use PadSplit to fill your rooms, its core metros show where room rental demand is proven. If you're raising money from private investors, that data helps support your investment thesis.



SOME OF PADSPLIT'S CORE METROS

Atlanta GA · Austin TX · Baltimore MD · Charlotte NC · Dallas TX · Denver CO · **HOUSTON TX** · Jacksonville FL · Kansas City MO · Las Vegas NV · Los Angeles CA · Miami FL · New Orleans LA · Orlando FL · Philadelphia PA · Phoenix AZ · Raleigh NC · Richmond VA · San Antonio TX · Tampa FL · Washington DC

● Blue dots are core metros; ● gray dots are emerging markets. Selected PadSplit core metros and market map. Source: PadSplit. Map © OpenStreetMap contributors.

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02 CHAPTER 2 Pick the Spot

KEY POINT **Pick the block, not just the city. Rooms near jobs and transit fill fastest.**

Step 2 Micro: Pick the spot

Choosing the right location is one of the most important steps, if not the most important. Most coliving residents are hourly workers, traveling workers, students and young professionals who want an affordable room close to work. Choose a spot near hospitals, colleges, warehouses, job centers and a bus or rail stop, and your rooms fill faster.

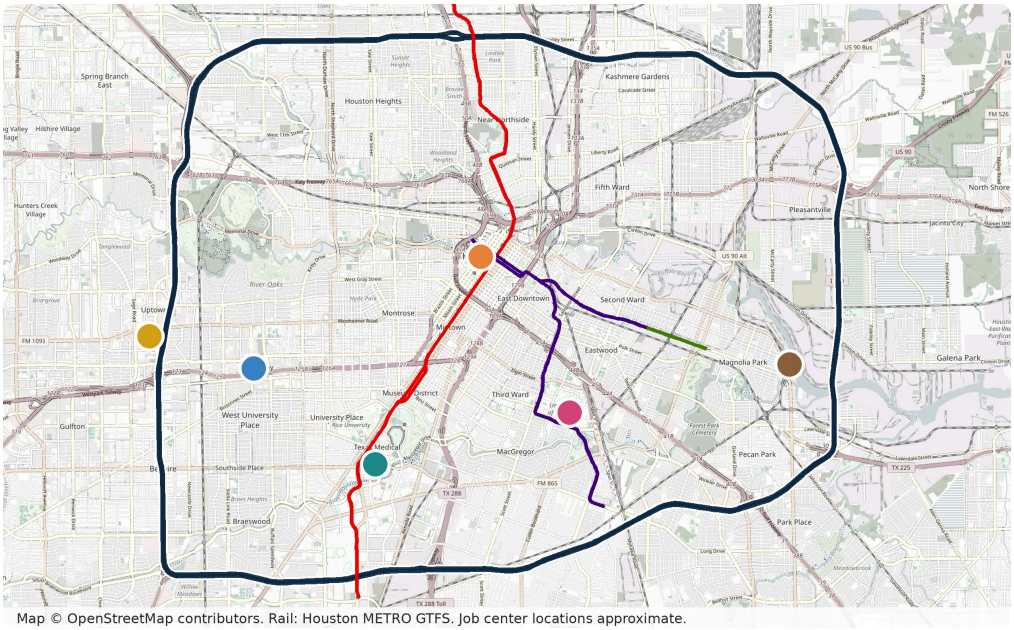
WHAT TO LOOK FOR

Near Jobs

Amazon, Walmart, warehouses, medical districts and airports employ lots of hourly workers who want to live close by. Job Heat Map

Near Transit

Many renters don't own a car, so rooms within an easy walk of a **bus stop or METRO Rail station** rent faster. METRO System Map



Map © OpenStreetMap contributors. Rail: Houston METRO GTFS. Job center locations approximate.

JOB CENTERS
- Downtown
- Uptown and Galleria
- Greenway Plaza
- Texas Medical Center
- University of Houston
- Port of Houston

METRO RAIL
- Red Line
- Green Line
- Purple Line

HIGHWAY
- 610 Loop

Houston job centers and METRO Rail lines inside and around the 610 Loop

Illustration, not our property.

03 CHAPTER 3 Validate the Numbers



KEY POINT

Check demand and room prices, then compare them with studio rents nearby.

Once you've picked the metro and the spot, validate it with real numbers. PadSplit's market map is a free tool that shows demand and room prices for each area. For Houston, it shows about 5.6 searches for every active unit. Then compare room prices with studio and one bedroom rents nearby on Zillow or Rentometer. If a studio costs about the same, renters pick the studio.

DEMAND

13,333 searches (30 days) | **2,370** active units

WEEKLY ROOM PRICES per week

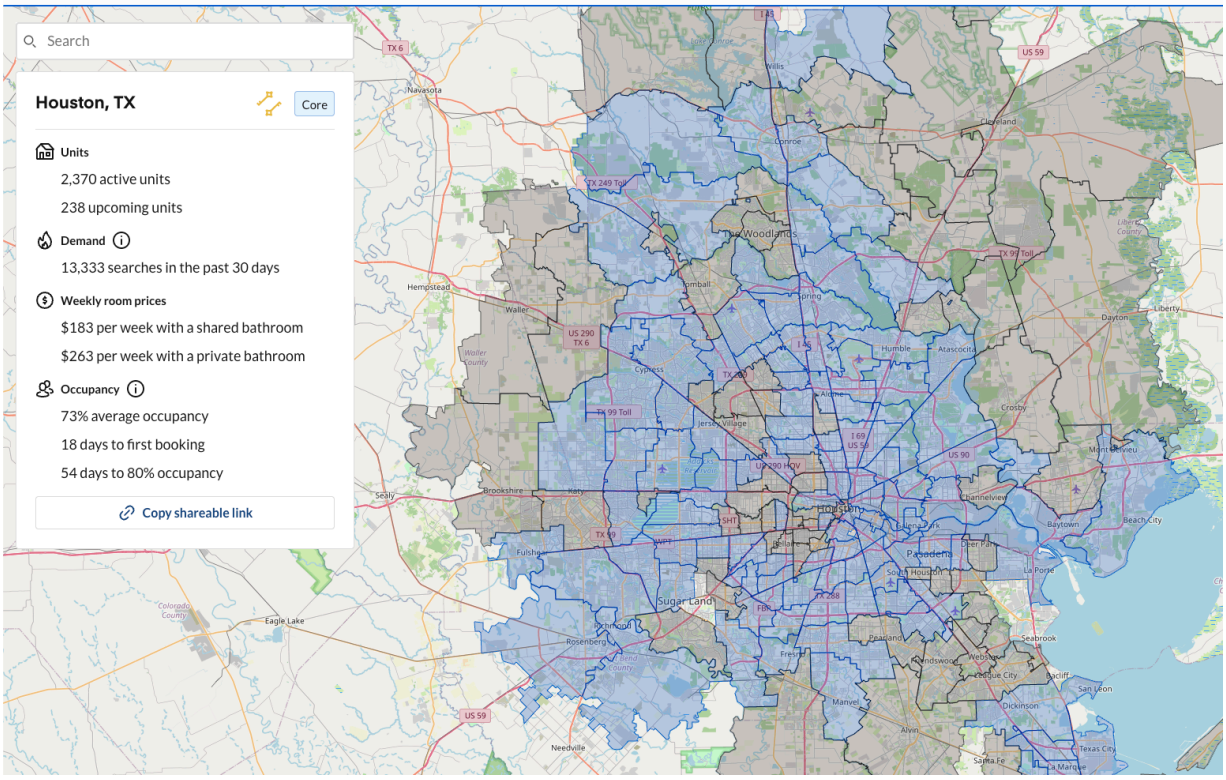
$183 shared bath | **$263** private bath

LEASE-UP

18 days to first booking | **54 days** to 80% full

OCCUPANCY

73% average occupancy



Inside the 610 Loop, per month

$1,213	Our room, utilities included
$1,491	Average studio
$1,820	Average one bedroom

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CHAPTER 4

04 Zoning, HOAs & Deed Restrictions



KEY POINT **Skip HOAs, check the zoning and deed rules, and talk to local operators before you buy.**

Pick the Neighborhood, Avoid HOAs

Look for C-class neighborhoods in transition, with plenty of rentals and owners used to renters. Skip HOAs, newer subdivisions and historic districts. An HOA board can vote to change the rules later, often after one bad renter or too many cars on the street. Before you buy, talk to a few local coliving operators and property managers. They know how the city handles coliving, where demand is, what renters look for and how neighbors react.

Check the Zoning

Homes and duplexes follow the International Residential Code (IRC); buildings with three or more units follow the International Building Code (IBC). Cities without zoning, like Houston, rely heavily on deed restrictions. Search your city's code online (many cities post it on Municode), get deed restrictions from the county clerk or your title company, and ask the HOA or seller for any HOA documents.

Unrelated people

Cities can cap how many unrelated adults live in one home. Check your city's **definition of family**.

Boarding and lodging

Check how the city defines boarding houses, lodging and rooming houses, so you know how **renting by the room** fits.

Deed restrictions

Rules recorded on the lot can **limit duplexes or renting by the room**. In Houston, with no zoning, these rules often do zoning's job, so read them before you buy.

Master lease

Some operators don't rent rooms directly. The owner leases the whole house to one company, and that company admits approved members to live there, instead of the owner signing separate room leases. This may affect how local rules apply. Rules vary by city, so ask your attorney.

You know where to invest. Next, see what each path looks like there: converting an existing house or building new.



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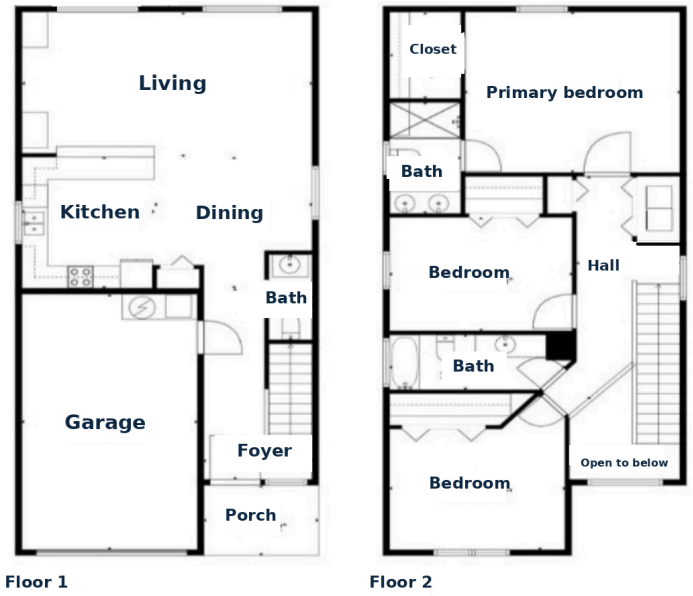
CHAPTER 5

05 What a Conversion Looks Like

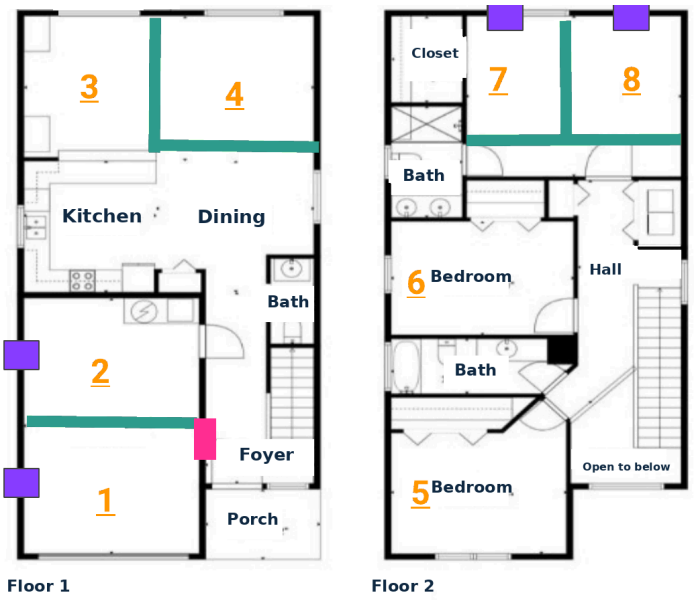
KEY POINT

A conversion reworks an existing house to add bedrooms. Start with the right house.

A typical conversion starts with an existing single-family home. You rework the layout to add bedrooms, update what needs it, and rent each room to a different renter. The house you start with decides how many rooms you can add.



Before: 3 bed / 2.5 bath



After: 8 bed / 2.5 bath

New wall · New window · New door · 1 Bedroom number

Downstairs, a new wall split the garage into bedrooms 1 and 2, with new windows and a new door from the foyer, and the living room was divided into bedrooms 3 and 4. Upstairs, the primary bedroom was split into bedrooms 7 and 8, and the existing bedrooms became 5 and 6. The bathrooms stayed at 2.5.

WHAT TO LOOK FOR

Start with 3 or 4 bedrooms

A 3 or 4 bedroom home of **about 1,700 sq ft or more** leaves room to add bedrooms and still keep shared space.

Enough bathrooms

Look for **at least 3 bathrooms**. Adding a bathroom can be expensive, so it's better to start with enough.

Room to add bedrooms

Look for **basements, living and dining rooms, and garages** you can turn into bedrooms. Our team and PadSplit recommend every bedroom be at least **8 ft by 10 ft (80 sq ft)**.



Illustration, not our property.

CHAPTER 6

06 What a New Build Looks Like

KEY POINT

Our new 2-story 10/10 duplex gives every renter a private suite.

Build for room rentals from day one. This is **our team's new 2-story 10/10 duplex** design.

The 10/10 duplex

2 stacked units, with **5 bedrooms and 5 bathrooms** on each floor, for 10 bedrooms and 10 bathrooms in one building.

Every bedroom

A private suite with **its own bathroom** and its own closet.

Every unit

A shared **kitchen with an island**, a living area, laundry and **its own entrance**. The upstairs unit has its own entry and stair.

Built to scale

Two of these duplexes side by side make a **20/20**: 20 bedrooms and 20 bathrooms. Repeat the pattern and they scale to **60/60s**.

Two units, more than one path

Fill **one unit through PadSplit** and use the other for **a passion project**. That gives you **more than one exit strategy**. The PadSplit side helps support the passion project while it stabilizes, and later the whole duplex can become the passion project.



Our 2-story 10/10 duplex design



One floor shown: 5 bed / 5 bath. The second floor stacks the same layout: 10 bed / 10 bath. Illustrative, not to scale.

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07 CHAPTER 7 Plan for Parking



KEY POINT **Count the parking before you buy, so cars stay on your lot and neighbors stay happy.**

Parking is usually the first thing neighbors notice. A house that had 2 cars in the driveway for 10 years can suddenly have 8 or 10. That is when the calls to the city start. Plan for it on paper before you make an offer.

Count the cars first

- Assume most renters will have a car.
- Measure the lot on a satellite map and count how many cars fit inside your property line.
- If the cars do not fit, move on to the next lot.

Make room on the lot

- Extend the driveway along the side or behind the house.
- On a new build, set the house toward the back so the front can be parking.
- Ask the city how much of the front yard can be paved. Some cities allow part of it.

Don’t count on the street

- Busy roads and bike lanes often mean no street parking.
- HOAs may limit cars to about 2 passes per home.
- Corner lots usually give you more curb and more room.

Set the limit up front

- List the home with a set number of spots.
- Assign spots and put the rules in writing.
- Converting the garage into bedrooms removes parking. Count that loss.



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08 CHAPTER 8 Running the Home

KEY POINT

A clean, safe home, clear rules, a longer minimum stay & a good manager keep renters staying.

Hire the right manager

- Hire a manager who runs coliving homes. Plan on about 5% to 10% of rent, or a flat fee per room.
- Interview at least 2 before you buy.
- PadSplit fills rooms, but a manager runs the home day to day and can answer renter messages in PadSplit.

Set clear rules up front

- Post house rules in the home and send them before anyone books.
- Cover quiet hours, guests, cleaning, parking & shared spaces.
- Tell renters plainly: this home enforces its rules. The right renters like that.

Ask for a longer stay

- Set a minimum stay, like 12 weeks, to cut down on short stays & constant turnover.
- Charge a move-in fee, as most hosts do.
- Review each renter's PadSplit history, like past stays, before move-in.

Keep it clean, safe & working

- Renters stay longer when they feel comfortable & secure.
- Have a cleaner do the kitchen, bathrooms & common areas every 1 to 2 weeks, and clean before every move-in.
- Keep everything in working order so small problems don't grow.

Protect the peace

- Handle problem renters fast. One bad renter can push good ones out.
- Fewer people per bathroom means less friction, which is why a private bath for every bed helps.
- If you use cameras, keep them in common areas only and tell renters before they move in.

Plan for repairs & move-outs

- Set money aside every month for repairs, even on a new home.
- Expect the first 2 to 3 months to be busy as renters settle in.



CHAPTER 9

09 Build or Convert: Pick Your Path

KEY POINT

Converting gets you in the door. Building gives every renter a private bath, premium rent & an appraisal based on income.

Converting an existing house

WHY IT CAN WORK

- **Faster to start.** The house is already standing, so you can start renting rooms sooner. The tradeoff is that you inherit its age & its layout.
- **More houses than lots.** In some metros, existing houses may be easier to find than buildable lots, so a conversion can get you a property when land is scarce.
- **Creative financing.** An existing house opens doors like seller financing or subject-to.

WHAT TO WATCH

- **Shared bathrooms.** Most family homes have far fewer baths than bedrooms, and renters leave when a nearby home offers a private bathroom.
- **Surprises behind the walls.** Old pipes, mold, termites or foundation work often show up only after you open things up.
- **Permits take time.** Adding windows, baths or wiring to an older house can take months to permit.
- **Parking.** A street built for one family suddenly sees 8 to 10 cars, and that is when neighbors call the city.
- **Valued like a normal house.** Lenders usually appraise a conversion against nearby single-family sales & long-term rents, not the income its rooms bring in.

Building new construction

WHY IT CAN WORK

- **A private bath for every bed.** In a 10/10 duplex every renter gets their own bedroom & bath, which removes the biggest friction point.
- **Premium rent & appraisals on NOI income.** A new room with its own bath can rent for more, and appraisers are starting to value these homes on income, like a small apartment building.
- **Designed for coliving.** Matching bedrooms, enough laundry & kitchens for the renter count, and parking planned in from day one instead of squeezed in later.
- **Simpler permits.** In Houston a side-by-side duplex gets a simpler permit.
- **Paid at the start, not just at the end.** On the developer side, your team can often get paid as quickly as with a conversion, through a developer fee when the land closes.
- **Fewer early repairs.** New systems, warranties & modern insulation mean quieter rooms & fewer surprise fixes.

WHAT TO WATCH

- **Construction loans are hard to get.** Lenders want developers with past builds. Buying from an experienced developer means the developer carries that loan, not you.
- **A longer runway.** Permits, the build & lease-up take months, and early on you may see little more than a cleared lot. The wait buys a home built for coliving.

ANSWERS

Questions I Get Asked

GENERAL QUESTIONS

01 For any coliving home, do I have to use PadSplit?

No. PadSplit is one way to fill rooms. It brings a steady flow of renters searching for rooms & shows each renter's history, which is why many owners start there. A local manager still runs the home day to day.

02 In our team's coliving homes, how long do renters usually stay?

In our team's homes, about 8 months on average. A minimum stay, clear rules & a clean home help good renters stay even longer.

03 Why start in Houston?

Houston has no zoning & doesn't cap how many unrelated people can live together, which makes building simpler. The Texas Medical Center, with about 120,000 employees, sits on the METRO rail line, so renters want to live nearby.

04 Why a private bathroom for every bedroom?

Renters value the privacy, and it removes the biggest source of friction in a shared home. It also keeps your options open. And if a market gets crowded, renters in shared-bath conversions tend to move to a home near the same price with a bathroom of their own.

05 What makes a new build designed for coliving?

Details that are hard to add to an old house: rooms sized for a queen bed & desk, a private bathroom & shower for every room, laundry for every unit, and a kitchen placed to bring renters together.

06 For new construction, how long from lot to renters?

While the build can happen in about 6 to 8 months, we estimate and plan for about 1 year from a signed purchase agreement to renters moving in. That covers the build and filling the rooms.

ANSWERS

Questions I Get Asked

07 Houston has no zoning. So can you build anything?

Not quite. There's no traditional zoning, but there are still deed restrictions, city rules and things like easements. You check all of that before you buy a lot.

08 Why walk a build site in person?

Videos show you the finished product. On site you walk the lots and see the framing and the bathroom layout. You learn more in one day on site than in months of videos.

TAX QUESTIONS

Educational only, not tax advice. Tax law changes, so ask and confirm with your CPA before you act on any of this.

09 How is real estate taxed differently than salary?

Your salary is earned income, and it's taxed as it comes in. Real estate is a different category. Real estate can come with tax rules, like depreciation, that stocks don't have.

10 Depreciation, cost seg and bonus depreciation, in plain words

The IRS treats a building like it wears out a little every year, so owners can deduct a piece of its cost each year. Cost segregation breaks out parts that wear out faster, like carpet and appliances, so they can be depreciated sooner. Bonus depreciation allows a bigger first-year chunk on qualifying parts; how much depends on current law. Ask your CPA.

11 Passive or nonpassive: why does it matter?

The IRS sorts income and losses into passive and nonpassive, and rental activity is generally passive. That sorting decides which losses can offset which income. For example, nonpassive income includes earned income, like your W-2.

12 What should I ask my CPA before I buy?

Three questions. One: can depreciation offset my income? Two: would a cost seg study make sense? Three: should I own it through my entity or my IRA? Ask your CPA.

YOUR NEXT STEP

Watch the Team's Videos, Then Join the Houston Workshop

You just finished the guide. The next step is to see how it works in real life. The team I work with walks you through it in a Houston workshop, so you're not figuring it out alone.

Join the Houston Workshop

Opens the team's workshop page.

Not sure yet? Watch the team's free videos first



Who I Am

I'm Kyle Geroski, a coliving tenant for 5 years. I now work with a team that builds **new construction coliving homes in Houston, Texas**. I wrote this guide to share what we've learned.

The team is expanding to Tampa and Orlando next.

Find the lot, design for coliving, and build it with experienced builders, so you don't need a construction loan of your own.

Book a 1:1 call Join the free office hours waitlist

Educational only. Not investment, legal or tax advice. No returns are projected or guaranteed.