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SAVILLS INSIGHTS

STUDENT HOUSING IN GERMANY

A MARKET OVERVIEW

by Savills Operational Capital Markets
with contributions from Savills Research

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Student housing – a distinction

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Modern living is described in many different ways in the German market. For example, there is talk of student housing or purpose-built student accommodation (PBSA), micro-living, temporary living or even co-living. The definition of the individual terms is not used uniformly in practice and the individual forms of housing are not always clearly distinguishable from one another, so that some terms are also used synonymously. The 'Kompendium der Apartmentkonzepte' (an overview of modern residential living concepts) provides good orientation.

At Savills, we define **student housing** or **PBSA** as apartment complexes specifically designed to meet the needs of students, where the residents are exclusively or primarily in higher education programmes.

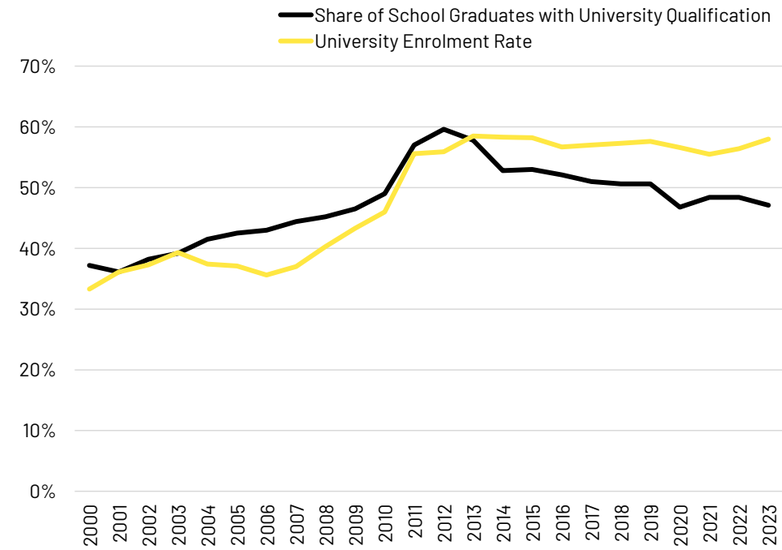
Other micro-living properties are often very similar to student residences in terms of their structural features, but generally have slightly larger apartments and sometimes fewer communal areas. The main difference, however, is that the target group is broader and therefore the residents are more heterogeneous and include young professionals, project workers and expats, commuters and students. Both concepts are residential in their nature. In contrast, the terms *temporary living* and *co-living* also include commercial concepts and are used less clearly and coherently overall.

Student numbers rising year on year

The German PBSA market has experienced a considerable increase in demand over recent decades. From 2008 onwards, significantly more students streamed into German universities. In the early years, this was also due to the gradual switch to the high school diploma after twelve school years in most federal states and the associated double high school cohorts as well as the suspension of compulsory military service in 2011.

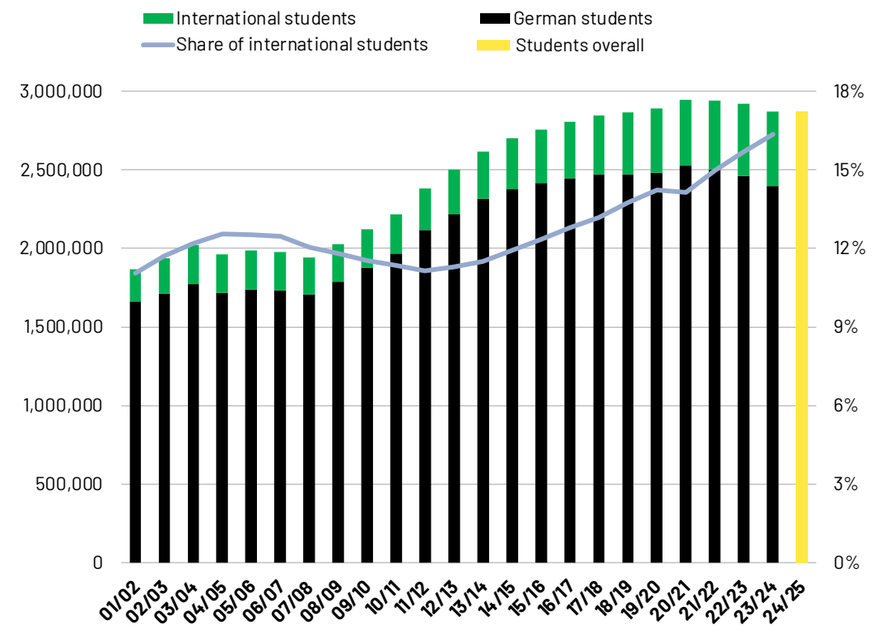
However, once the impact of these special effects had disappeared, the upward trend in student numbers continued due to the higher demand for academic education and thus a higher proportion of young people at universities. The proportion of young people qualified to study rose in a long-term comparison: While only 37.2% of all school leavers gained a higher education entrance qualification in 2000, this figure was 47.1% in 2023, with a slight downward trend recently. The rate of university enrolments, i.e. the proportion of school leavers with a general higher education entrance qualification or entrance qualification for universities of applied sciences who actually go on to study, has also risen over the long term and stood at 58.0% in 2023. In 2000, the rate was only one third.

University Enrolment Rate and Share of School Graduates with University Qualification



Source Federal Statistical Office

Development of Number of Students in Germany



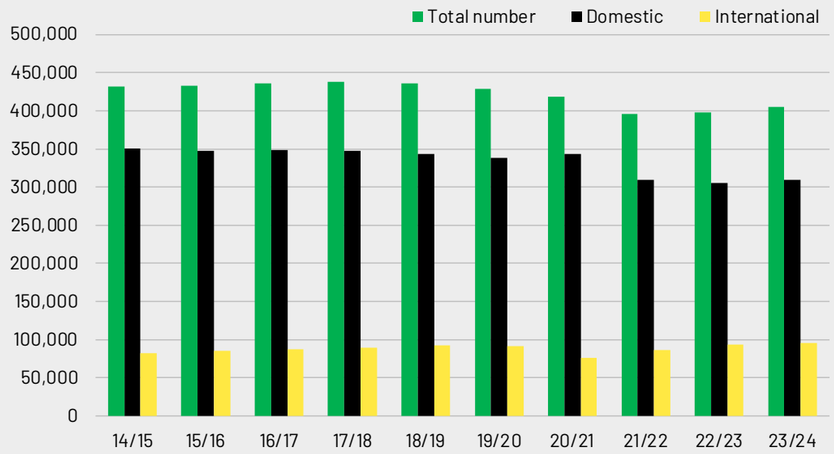
Source Federal Statistical Office

Temporary slight decline in student numbers with ongoing internationalisation

After the number of students peaked at around 2.94 million in the winter term 2020/21, the total number of students in Germany has fallen slightly. In the winter term 2024/25, over 2.87 million students were enrolled at universities in Germany, which corresponds to a decrease of around 73,000 compared to the peak figure. This shows that the decline in student numbers is moderate.

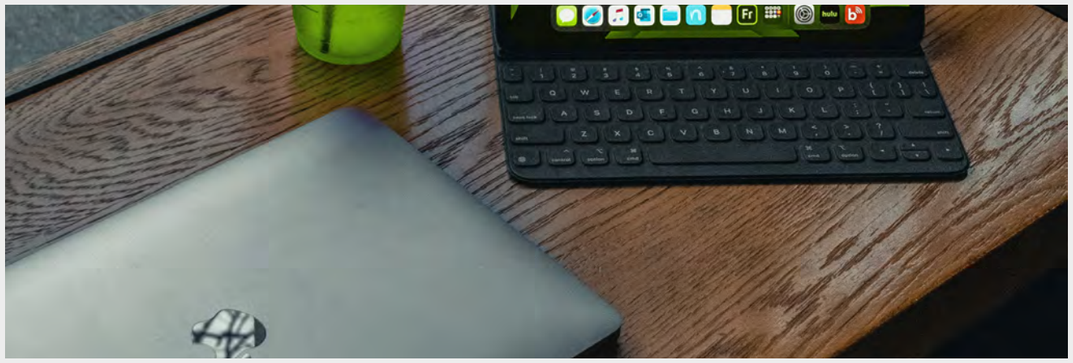
Nevertheless, it represents a trend reversal in the German PBSA market. This decline is due to f alling first-year student numbers in recent years. In the winter term 2024/25, the number of first-year students was over 6% lower than ten years ago. In addition, the number of graduates has risen, which can be explained by the pandemic's catch-up effects, among other things.

Number of First-Year Students in Germany



Source Federal Statistical Office

While the number of domestic first-year students has been declining for several years, the number of international first-year students has been rising continuously. This long-term trend was only interrupted in the first year of the pandemic, resulting in an opposite development in 2020. Overall, the number of international students has risen by 46% in the last ten years to around 469,500 in the winter term 2023/24, with their share of total students reaching 16.4% — the highest figure ever recorded in Germany.



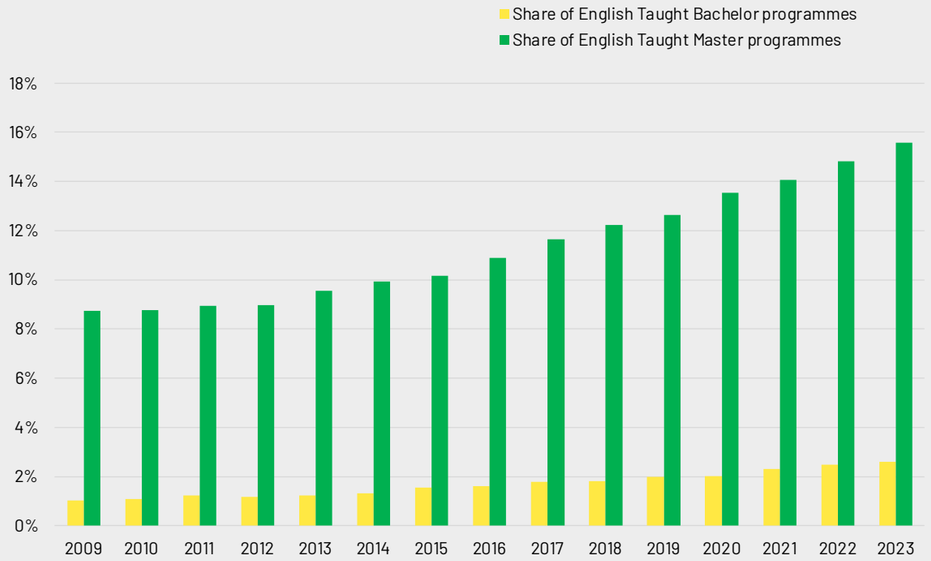
> “Overall, it can be assumed that the number of students will remain at an extraordinarily high level in the long term and thus the demand for student accommodation.”

Laura Wetzel MRICS
Associate
Residential Capital Markets,
PBSA & Micro-Living

Rising numbers of first-year students in sight again

In our opinion, the number of international first-year students should continue to grow, as the German higher education landscape has become noticeably more internationalised in recent years and offers considerably more courses in English. In addition, the cost of living and studying is still low compared to many countries while the reputation of engineering degree programmes, for example, remains high.

Share of English Taught Study Programmes in Germany



Source HRK-Hochschulkompass

However, this growth in international inflows is unlikely to be able to compensate for the demographically induced decline in domestic first-year students over the coming years. At the same time, it is to be expected that more students will complete their studies, so that a slight decline in student numbers can be expected for a few more semesters. However, we assume that this is a temporary trend. The number of first-year students in the winter term 2023/24 has risen slightly again, even among German first-year students. In its current forecast, the Standing Conference of the Ministers of Education and Cultural Affairs expects a slight decline in the number of first-year students until 2026, while the number of first-year students is expected to rise again in the following years. Overall, it can be assumed that the number of students will remain at an extraordinarily high level in the long term

Structurally growing demand for purpose-built student accommodation

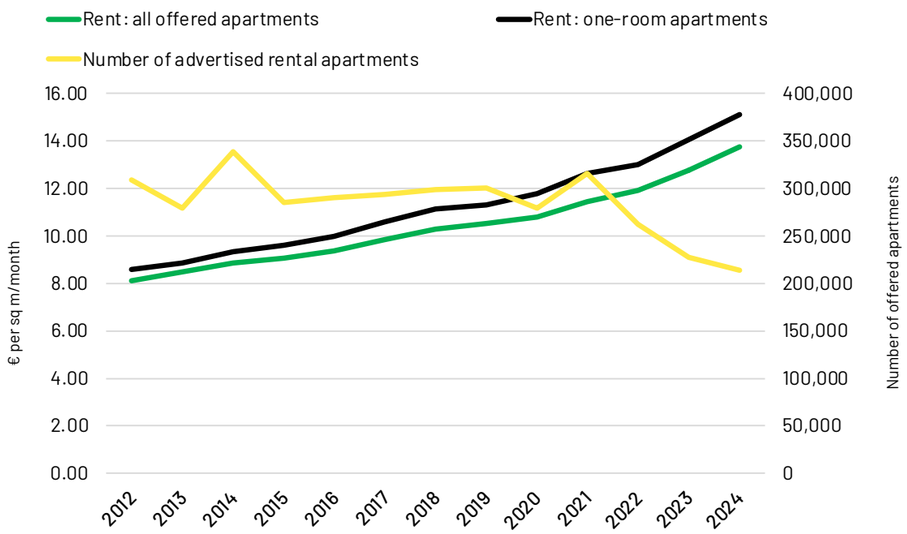
However, it is not only the increasing number of students that has contributed to the growth in demand for purpose-built student accommodation. Structural changes in educational biographies have also played their part. For example, the switch from the Diploma to the Bachelor's and Master's degree system has led to changed and fragmented educational biographies. In addition, international mobility has increased, for example through study visits as part of the Erasmus programme. Internships during studies are also regularly completed away from the place of residence or study. As a result, today's generation of students move around more frequently during their studies, which has increased the demand for apartments in PBSA properties that are easy to book and can be used flexibly.

On the residential letting market — traditionally the first port of call for students looking for accommodation — options for students have become scarce and expensive. The average asking rent in the 30 largest university cities has risen by an average of 52% over the last ten years. For one-bedroom apartments, the increase was even stronger at 58%. The number of advertised apartments fell by around a quarter in the same period, while the population of the 30 cities has increased by 5% since 2015. On average, only 1.1% of residential units in the top 30 university cities are vacant — in some university cities, the vacancy rate has even fallen to below 0.5%.

Forecast of the Number of First-Year Students in Germany

Source Standing Conference of the Ministers of Education and Cultural Affairs Germany/ * forecast values from 2023

Asking Rents* and Number of offered Apartments in the Top 30 University Cities



Source VALUE Market Data / * total supply (existing and new constructed units)

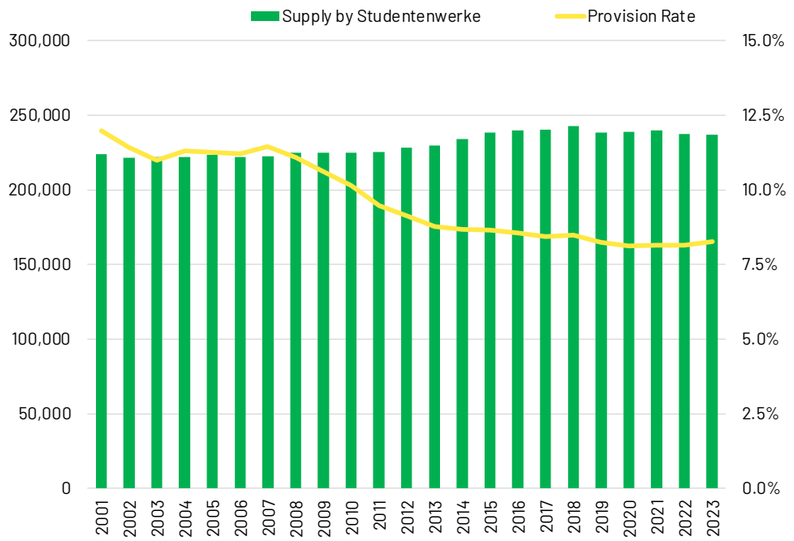
Students are competing for the few available residential apartments with other and usually more solvent user groups such as young professionals or commuters. It is therefore becoming increasingly difficult for students to find accommodation on the residential letting market. Students from abroad in particular face hurdles when looking for accommodation, as they are often unable to attend viewings and are confronted with language barriers. The majority of rental units in Germany are offered unfurnished, which is a disadvantage for many students in view of the frequent changes of residence.

Supply of student unions unable to keep pace with growing demand

For many years in Germany, non-profit providers and, above all, the student unions called “Studierendenwerke” offered accommodation in purpose-built student residences. The Studierendenwerke are semi-governmental organisations that provide services for students at colleges and universities. Housing provided by the Studierendenwerke is relatively inexpensive: at the end of 2022, the average per room price nationally was 280 euros per month including all utilities. However, some Studierendenwerk properties are getting on in years and there is a lower proportion of single apartments with their own bathroom and own kitchen. Meanwhile, the Studierendenwerke‘s offerings have not been able to keep up with the rapidly increasing number of students. While the number of students in Germany rose by around one million between 2001 and 2023, the Studierendenwerke only increased their supply by around 13,300 beds in the same period. As a result, the so-called provision rate has fallen in almost all university cities. In 2023, the number of beds in publicly funded halls of residence nationwide was 237,215, of which around 194,837 beds were managed by the individual Studentenwerke. **This corresponds to an average provision rate of 8.3%**. In cities with more than 10,000 students, this supply rate ranges from 3.9% in Koblenz to 22.3% in Heidelberg.

Compared to more mature markets for student housing, the provision rate in Germany is at a lower level of 8.3%. For example, the provision rate in the UK is 31%, in France 16% and in the Netherlands 15%. In contrast, provision rates are lower in southern European countries such as Italy and Spain. However, it should be emphasised that the housing markets of the individual countries and, in some cases, the mobility of students differ greatly, meaning that the potential and demand for purpose-built student accommodation varies strongly.

Development of the Stock of Studentenwerke (nationwide)



+13,302 beds
+999,980 students

Source German Studierendenwerke

* Ratio between students and available student accommodation

Compared to more mature markets for student housing, the provision rate* in Germany is at a lower level of 8.3%. In comparison, the provision rate in the UK is 31%, in France 16% and in the Netherlands 15%.

Steady growth in private PBSA supply

In contrast, the supply from private operators grew significantly faster and the supply in German university cities will continue to increase. By the end of 2024, there will be around 68,500 beds in private student accommodation across the 30 largest university cities. This means that private supply grown by a factor of twenty in the last fifteen years. Around 9,600 beds are expected to be added in the next three years. While many traditional residential construction projects have been postponed or cancelled altogether in the wake of the interest rate turnaround and the rise in construction costs, we have recently observed a renewed increase in interest in PBSA among developers. This is partly due to higher achievable rents per square metre, which contribute to the profitability of projects despite the high construction costs. The high level of standardisation of the small residential units also enables economies of scale to be achieved and thus increases in efficiency compared to traditional rental or owner-occupied apartment projects. In addition, PBSA properties can benefit from attractive KfW funding programmes due to the large number of small units and some federal states, such as Bavaria, provide their own funding opportunities for student housing. In the current market environment, these aspects can pay off positively in the bidding war for land. We therefore expect to see a (renewed) upturn in the construction of PBSA complexes going forward.

Development of Private PBSA Stock in Top 30 University Cities

Source Savills, *forecast

The majority of private PBSA providers target the price segment with all-in rents of at least EUR 500 per month and bed. However, all-in rents for fully furnished single apartments with their own bathroom and kitchenette now generally start at EUR 600 per month and have broken through the EUR 1,000 per month mark in some cases. In the highly sought-after student housing markets, single apartments are now smaller than 20 sq m, reflecting the high rents per square metre that can be achieved in this segment. Since the end of the pandemic in particular, we have seen sharp increases in asking rents in many student housing complexes. According to a survey by the Initiative Micro-Living, the majority of private providers expect further rent increases in the coming years.

Operator landscape

After years of steady growth, a very diverse operator landscape has emerged with various large national operator platforms. The majority of operators are either associated with a project developer or a property investor. The largest private operators of student residences in Germany include International Campus with the brand THE FIZZ, FDS Gemeinnützige Stiftung with Felixx student, TPG with the Home & Co brand, GSA with the Yugo brand, Cresco with the Neon Wood and Tannhaus brands, Mondial Campus, the developers and operators i Live and Base Camp with the brands of the same name and 360 Operator by Capital Bay with the Staytoo brand. Other well-known private companies active in the market include Campus Viva, FU.Life and Cube Life. Some investors manage larger portfolios without having their own brand, such as Catella Real Estate, PATRIZIA and Commerz Real. Bayerische Versorgungskammer (BVK) has renamed its own PBSA properties into ‘Die Zimmerei’, while Union Investment‘s properties are marketed under the Urban Base brand.

High occupancy rates ensure stable income

Even during the COVID-19 pandemic, the German PBSA market remained remarkably stable. As most universities had largely suspended lectures in the 2020/21 winter term, some students did not move to their place of study until further notice. Many international first-year students in particular had to stay in their home countries due to travel restrictions, which led to a drop in demand in some PBSA properties. According to the Micro-Living Initiative, the average occupancy rate fell to 86% in spring 2021. However, with the end of the pandemic and the associated restrictions, a sharp increase in demand was observed. In October 2024, the average occupancy rate was 95%, which was higher than before the pandemic. According to our observations, many well-positioned PBSA properties are fully let or fully let except for a few apartments.

CONVERSION

THE SOLUTION FOR INCREASING DEMAND FOR MICRO-APARTMENTS?

In recent years, office vacancies in major German cities have risen noticeably. Currently, the vacancy rate is 12.3% in Frankfurt am Main, 7.5% in Munich, and 6.8% in Berlin. Particularly affected are older existing buildings that are already vacant and unlikely to find market placement. In many cases, these are so-called *stranded assets*.

At the same time, there continues to be strong demand for small-scale residential units, such as micro-apartments or student housing. Given this trend, it is only logical to focus more intensively on the conversion potential of commercial spaces.

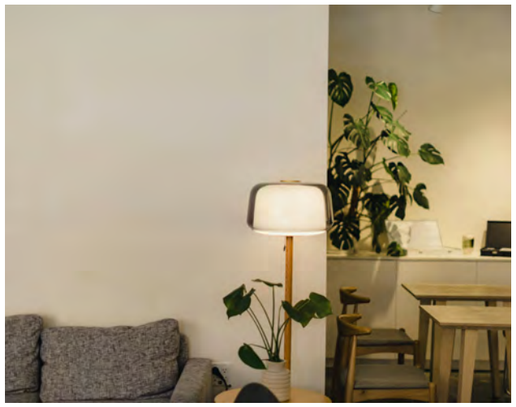
The tension between unused office stock and growing demand for urban living space offers a promising basis for innovative conversion prospects.

A recent study by Bulwiengesa estimates a potential of 150,000 apartments in the top 7 cities alone through office-to-residential conversions. This potential appears considerable, but requires a differentiated view, particularly with regard to the specific requirements of micro-living and student living.

Planned office developments are increasingly being transformed into residential or mixed-use projects...

Even developers of new office buildings are increasingly considering alternative usage concepts, as pure office development is associated with potential risks in terms of future exit. With this in mind, various alternative uses are currently being evaluated and pursued.

More and more frequently, developers are choosing not to realize originally planned office buildings as intended, but instead implement **alternative uses such as residential (BTR), micro-living or PBSA**.



Conversions offer many opportunities but also brings new challenges. Owners and developers are often faced with a range of complex questions – particularly regarding the feasibility and economic viability of projects.

As part of conversion projects, the following **key questions** typically arise:

- Is the existing building or planned development suitable for a conversion?
- Is a change of use permissible under the applicable zoning regulations?
- Does the location meet the requirements of the new target group (students, young professionals, etc.)?
- Is the conversion economically viable and profitable?
- Are funding opportunities available for the necessary conversion measures?
- Is an operator needed, and how can a suitable operator be identified?

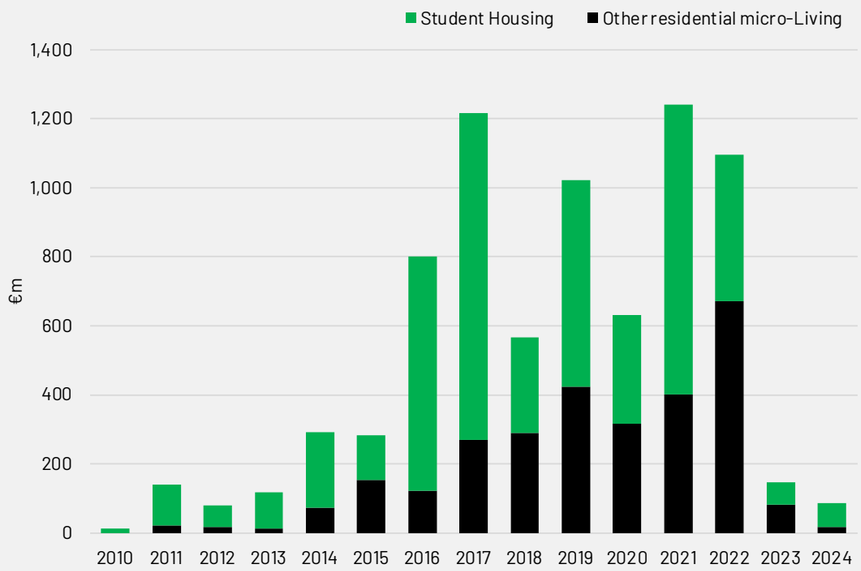
We will gladly support you in the examination and realisation of your project.

Trend of rising transaction volumes until the interest rate turnaround

From an investor's perspective, PBSA properties therefore promise stable and rising rental income, making them increasingly sought after as investment products. In fact, the property investment market for PBSA properties has grown significantly in size and importance over the last fifteen years. In the course of the growth in private-sector supply, the size of the investable portfolios has also gradually increased. The market has increasingly attracted the interest of institutional property investors due to the structural undersupply and the generally positive fundamental data.

Between 2018 and 2022, the transaction volume for PBSA properties averaged €490 million per year. At the beginning of the 2010s, the volume was generally less than €100 million. In addition to PBSA properties, there are also properties that appeal to other target groups besides students, such as young professionals, project workers or commuters. Such micro-living properties without an explicit focus on students achieved an average annual transaction volume of €453 million per year between 2018 and 2022. The slump in transaction activity in 2023 and 2024 for both student and other micro-living properties is largely due to the consequences of the interest rate turnaround and, in our view, is likely to be a temporary phenomenon. In addition, there has recently been an acute lack of supply that matches the search profiles of most investors in terms of location and property characteristics. There have been hardly any core or core-plus properties on offer recently.

Transaction Volume of Student and Micro-living Properties in Germany



Source Savills

Almost without exception, properties were and are traded with private-sector providers, whereas properties belonging to student unions or non-profit and church providers are only very rarely sold. This is largely due to the ownership structure of this stock and the lack of accessibility for property investors.

Over the past ten years, around two thirds of the transaction volume for PBSA properties has been accounted for by sales of individual properties, meaning that portfolio transactions have played a somewhat smaller role to date than, for example, in the institutional residential investment market. This is also due to the comparatively small market size and the fact that many investors are still building up their portfolios. The relatively young age of the German PBSA market means that a significant proportion of the properties traded are new.

In the last ten years, 42% of the transaction volume was carried out in the form of forward sales. A large proportion of the traded existing buildings were also less than ten years old. In the wake of the turnaround in interest rates and the associated challenges faced by many project developers, the focus of many investors has shifted strongly to young existing buildings that are already in operation. However, such properties in particular are rarely on offer because investors have often not yet reached their intended holding period and many properties have already been sold in forward transactions before completion. Over the course of 2024, however, we have noticed that the willingness among investors to make forward purchases has increased again.

In terms of transaction volume by location, Berlin, Hamburg and Frankfurt were by far the cities with the highest turnover. Over the past ten years, transactions worth more than half a billion euros have taken place in each of these cities. These cities are also home to the largest private-sector PBSA portfolios. Although there is also a large private PBSA supply in Munich, the transaction volume on the investment market is noticeably lower here. This is due to the fact that in Munich, as in some other southern German cities, a disproportionately high share of properties were sold to small private investors with partial ownership in the past. As sales of condominiums to private investors slumped in the wake of the turnaround in interest rates, we are seeing a certain shift towards global sales in the south of Germany as well. In view of the often very good fundamental data of these cities, this may result in opportunities for investors.

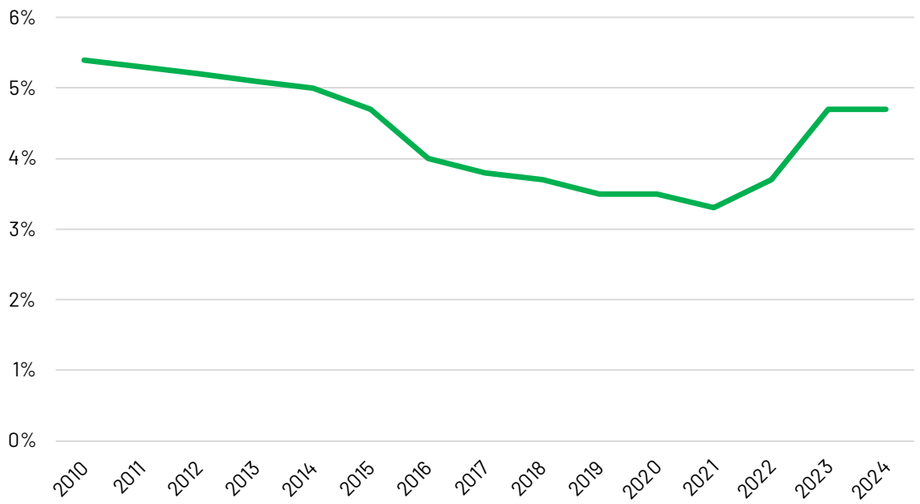
Overall, it is noticeable that the top investment locations almost exclusively include university cities with at least 30,000 students. This reflects the fact that these locations have a critical level of demand from occupiers market and are therefore the focus of project developers and investors. Although there are also medium-sized and smaller cities with attractive fundamentals for student accommodation, these have only played a minor role in the professional real estate investment market to date. In addition to the comparatively small size of the investable portfolios, the liquidity risk of such locations is often too high, especially for institutional investors. They are also more difficult to explain to investors, some of whom are international.

Prime yields recently stable

As a result of increased demand from institutional investors and against the backdrop of zero interest rates, prime yields for PBSA properties fell continuously over the course of the 2010s. After the prime yield for properties in the top 6 real estate markets stood at 5.4% in 2010, it fell to 3.7% by the first quarter of 2022. This yield compression of 170 basis points was therefore somewhat greater than that for multi-family houses (156 basis points). This suggests that this development was not only driven by interest rates, but can also be explained by a structural component – in the form of disproportionate growth in demand.

In the course of the turnaround in interest rates from mid-2022, there was also an increase in initial yields for PBSA properties, as in all other types of real estate. Towards the end of 2024, we estimate that the average prime yield in the top investment locations was 4.7% and remained stable over the course of the year. In view of the few transactions in the last two years, however, there is still little transactional evidence in contrast to other types of use. Overall, we assume that prime yields on the German real estate investment market have bottomed out for some time. Prime yields in almost all types of use were stable for at least three quarters in 2024.

Prime Net Initial Yield for PBSA Properties



Source Savills

Outlook: Increasing activity on the investment market in sight

We assume that there will be an increase in sales of PBSA properties during the course of 2025 and hence transaction evidence will improve as a result, which should facilitate future transactions. On the one hand, we are observing that the number of sales preparations has increased, meaning that more supply is likely to come onto the market. According to our observations, these are both existing properties, some with value-add potential, and new-build properties that are to be sold via forward transactions.

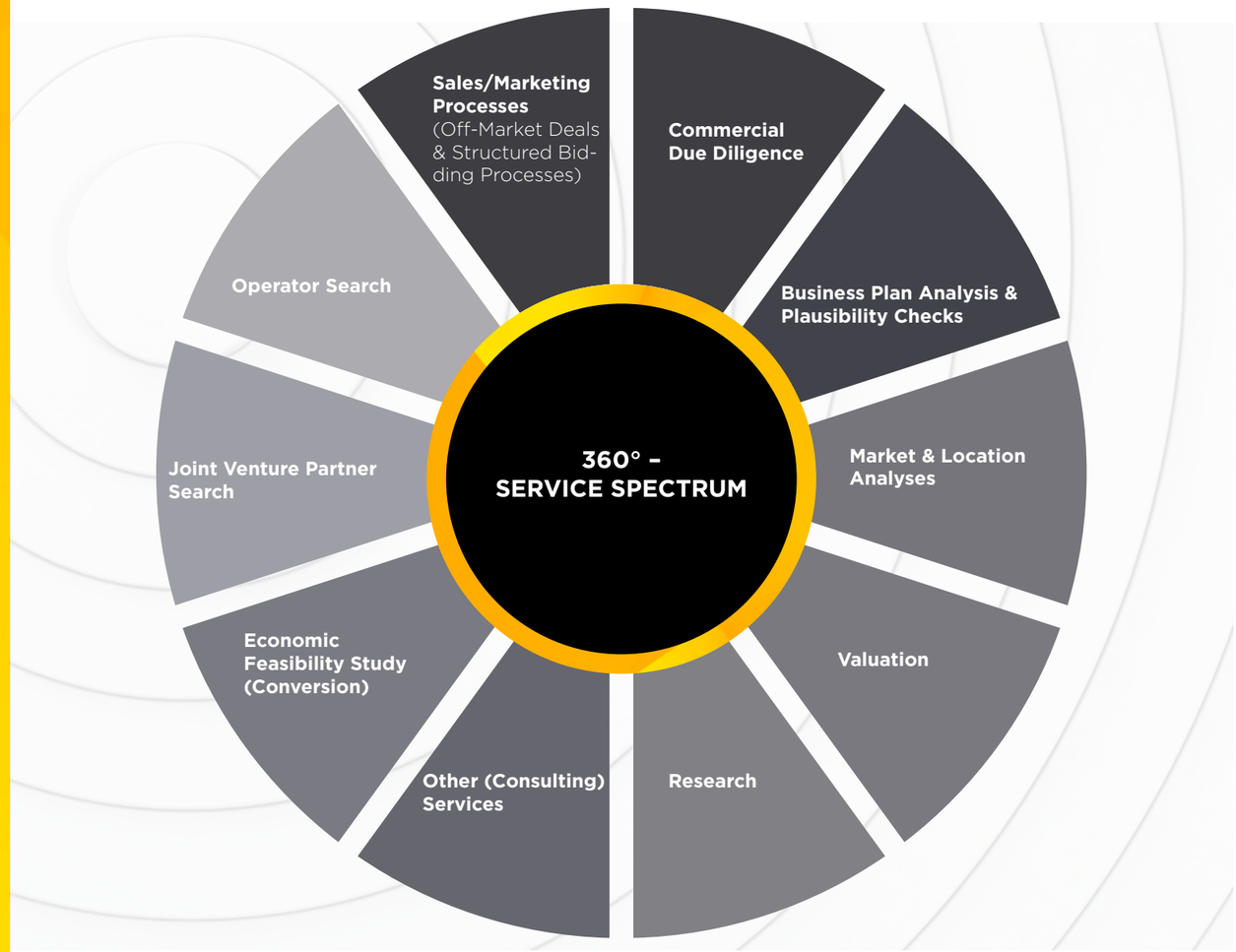
On the other hand, on the demand side, the interest of domestic and international investors in PBSA properties has tended to increase further. In addition to the good fundamental data, this is primarily due to higher achievable rents and faster rent adjustment cycles than for traditional multi-family buildings. According to an investor survey conducted by Savills in collaboration with the Class Foundation, Germany is one of the most popular target countries for international investors in the student housing sector. Respondents expect an increase in capital looking for investment opportunities in the sector over the next few years. In addition to demand from risk-averse investors for core and core-plus properties, we are currently also seeing greater interest in participating in development pipelines through joint ventures with project developers. As more suitable products are now coming onto the market again, more opportunities are likely to arise for investors willing to buy.

The sector is also likely to benefit in the coming years from the fact that a large target group will not find suitable products on the traditional housing markets. On the one hand, because vacant rental apartments are likely to remain scarce overall and, on the other, because there are hardly any flexibly bookable and furnished small apartments outside of student and micro-living. It is not only students who will be looking for accommodation in PBSA and micro-living properties, but also young professionals, expats, project workers and long-distance commuters. All of these groups are drawn to university cities from Germany and abroad, as this is where knowledge-intensive and well-paid jobs will continue to be created in the future. In this respect, PBSA and micro-living properties create an additional offer tailored to the needs of their target groups and thus enrich a city's housing market. It is this macro trend that international investors in particular are focusing on and why they have chosen PBSA and micro-living properties as a component of their investment strategy.

Our 360° Advisory Approach
Expertise in Student Housing (PBSA) & Micro-Living at Savills

We provide developers, investors, operators, lenders, universities, and public institutions with comprehensive expertise and holistic advice that covers the full real estate life cycle. This includes transaction advisory as well as a broad range of additional services.

In addition to our national network, we draw on Savills UK's global platform and broad-based partnerships with developers and operators seeking to establish themselves in Germany's student housing market.



Our Services

Sales – Marketing with Savills
Whether off-market deal or structured bidding process, plot, single asset or portfolio, existing stock or forward deal – we find the right buyer and support you through to contract closing.

Operator Search
Thanks to our strong network, we identify a suitable operator and support negotiations through to contract signing.

Valuation
Our qualified valuation experts perform valuations for you in accordance with national and international standards – for single assets, portfolios, developments, plots, and various (conversion) scenarios.

Commercial Due Diligence
We analyse the market for you.

Capital Procurement / JV Structuring
We find your ideal joint venture partner.

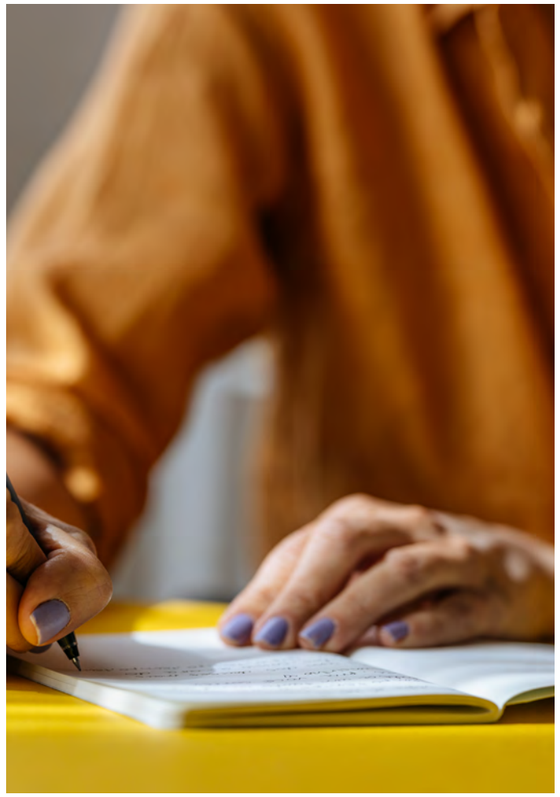
Research
At Savills, we are market experts in student housing and micro-apartments. Alongside our broad consulting services, our in-house research team monitors the market and provides deep market insights.

Other (Consulting) Services
You have a specific request? Talk to us and we will find the right solution.

Market & Location Analyses
Identify potentials and trends early on, analyse location-specific criteria – incl. competition analysis.

Business Plan Analysis
We validate your business plan assumptions using our deep industry knowledge.

Identification & Assessment of Conversion Potential
We analyse the economic feasibility of your project – conversions from office, hotels and other uses to PBSA / micro-living.



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PBSA EXPERTISE AT SAVILLS

Thanks to our strong network – both nationally and internationally with Savills UK – we are your ideal partner for student housing and micro-living in the German market.

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