



Modern Living – Growth Potential in Future Markets

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Modern living – growth potential in future markets

Analysts: Claudia Drangmeister // Julia Müller-Siekmann

Introduction

The way we live is changing rapidly. Traditional forms of housing are increasingly being called into question, making way for innovative, flexible concepts that are better suited to the realities of life in an urban, mobile and diverse society. Urbanisation, smaller households, new lifestyles and tight housing markets are fuelling this development: small-scale housing solutions tailored to the needs of the envisaged residents are starting to crop up, particularly in inner-city and city-centre locations. These modern forms of living, spanning everything from senior living to student housing, and co-living to micro-living and serviced apartments, have long been more than just a trend. They represent an answer to societal megatrends that have not, as is often the case, lost their relevance. Instead, they have gained momentum over the years. These new concepts also appeal to a wide target group: students, working people, commuters, one-person households and senior citizens. In other words, people who are looking for flexibility, a sense of community or services.

This shift towards modern forms of living has been observed not only in Germany, but also in other European countries. For instance, the market for purpose-built student accommodation (PBSA) in the UK in particular has flourished in recent years. Student housing has long since established itself as an independent asset class in the UK, complete with professional providers, scalable concepts and a strong focus on customer service. The British PBSA market is regarded as one of the most mature in Europe, serving as a blueprint for many industry players for the development of comparable concepts in Germany and other European countries. With a growing variety of housing concepts on the market, society is starting to ask, “How do we want to live in the future?” and new perspectives are emerging for investors and urban developers. After all, modern living approaches are not only relevant in terms of society on the whole – they also represent attractive investments. Professionalisation, standardisation and internationalisation are starting to penetrate markets and becoming increasingly tangible as a result. Modern living represents more than just a social issue; it offers a strategic area of investment with future prospects. While many investors initially focussed on the student housing segment, investment strategies have since expanded to incorporate other asset classes. One of which, modern living, has gained a foothold, offering a ROI advantage over the traditional residential market. Subject to less stringent regulations than the rental property market, the market for modern living is highly attractive for many international concepts and investors.

A survey of European real estate investors conducted by PricewaterhouseCoopers (PwC) and the Urban Land Institute (ULI) highlighted their keen interest in investing in modern living. According to the report, four sub-segments of modern living are among the ten most important sectors of the European real estate industry with future potential.¹

¹ PwC and ULI: Emerging Trends in Real Estate Europe 2025, November 2024

Top 10 sectors of the european real estate industry with future potential (2025)



Source: PwC and ULI, NORD/LB Sector Strategy Real Estate

In this real estate special, we will first outline the most important drivers of demand and provide an overview of the various modern living concepts available on the market. We also explore recent market developments in Germany. Based on this, we will then take a more detailed look at the submarkets of student housing, serviced apartments and senior living with services. We will explain related terminology and assess the relevance of these submarkets in the context of demographic change and the housing shortage. In the process, we will take the time to discuss the challenges and opportunities that exist in relation to the individual forms of modern living and look at the potential in other European countries.

Drivers of demand and modern living concepts

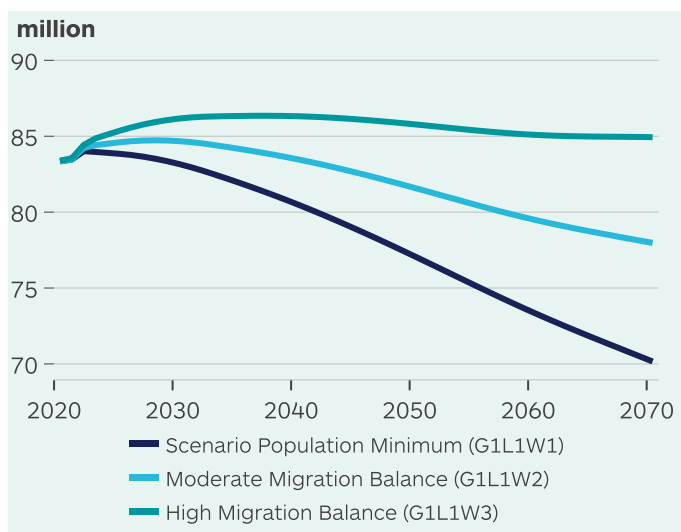
Key drivers of demand

Demographic shifts are substantially influencing demand for housing and fuelling the trend towards smaller forms of housing. At the end of 2024, Germany had almost 83.6 million inhabitants. According to the Federal Statistical Office, the German population grew by 121,000 people compared to the end of 2023 (+0.1 %). As Germany's natural population development has been on the decline since reunification, net immigration was once again the sole cause for the population increase in 2024. In 2023, the population grew by 338,000 people (+0.4 %) owing to a sharp rise in immigration.² Forecasts on future population development in Germany up to 2040 are subject to uncertainty and based on different scenarios regarding net immigration. In the event of low immigration, Germany's population is likely to shrink.³

² Statistisches Bundesamt: Bevölkerung Deutschlands wächst im Jahr 2024 geringfügig um 0,1 %. Press release, 20 June 2025

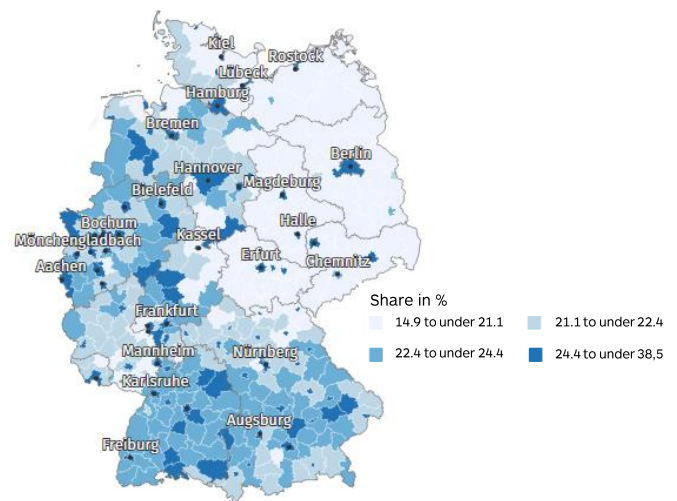
³ Statistisches Bundesamt: 15th coordinated population projection, 2022

Population projections for Germany



Source: Destatis, Macrobond, NORD/LB Macro Research

Share of people aged 20 to under 40 in the total population (in %, 2023)



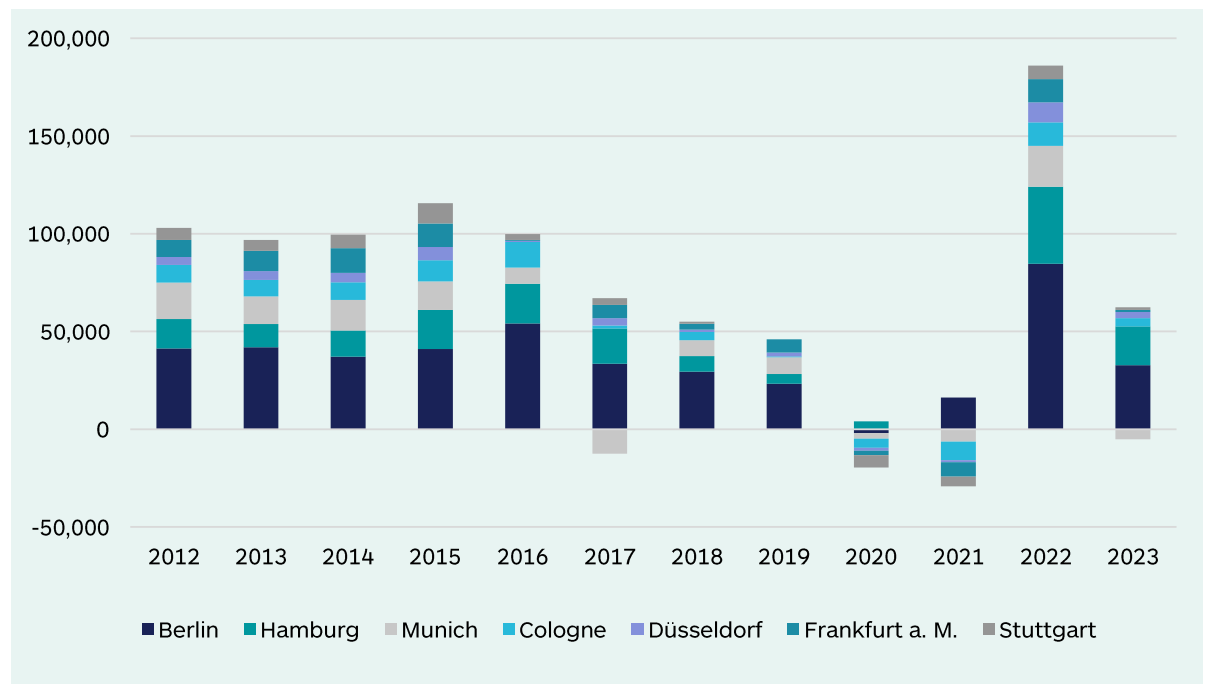
Source: GeoBasis-DE / BKG 2023, Statistisches Bundesamt, 2023

The development of the 18 to 39 age cohort in particular is heavily dependent on immigration. This age group is particularly mobile owing to education and employment opportunities and is the predominant group driving demand for modern living. The majority of immigrants are also in this age group. Only in the event of high net immigration is the 30 to 39 age group forecast to remain stable and the 18 to 29 age group to grow slightly.⁴ The target group of 20- to 39-year-olds is primarily found in the major economic metropolises and university cities. As the map shows, large cities and university towns in western Germany in particular have a high proportion of this age cohort. While their share is comparatively high in southern Germany, this demographic is, as expected, hardly represented in the rural districts of eastern Germany. It can therefore be concluded that, in addition to the education and job opportunities on offer in business hubs, the cultural and leisure facilities are also important when it comes to attracting students and young professionals.

Major German cities in particular have benefited from positive net migration in the past. Between 2012 and 2016, the country's Top 7 markets recorded high immigration rates, particularly owing to international migration. This immigration greatly contributed to the population growth experienced by the cities. In the years that followed, however, this trend weakened noticeably, partly owing to rising housing costs and a lack of housing. By 2020, the trend had turned negative for the first time – largely as a result of the coronavirus pandemic. Lockdowns, mandatory working from home and no more in-person classes at universities reduced the appeal of big cities.⁵ This trend continued to worsen in 2021, with the exception of Berlin, which experienced a population gain of 16,200 people. By 2022 the trend had once again reversed with Germany's Top 7 markets reporting net migration growth totalling around 186,000 people – a new record. This can largely be attributed to the high number of refugees from Ukraine and the lifting of pandemic-related restrictions. In 2023, however, migration gains among the Top 7 markets slumped again (net migration: 57,200). Munich was the only major city to record a slightly negative migration balance (-5,155 people),⁶ illustrating just how tight the housing market is in the Bavarian metropolis.

⁴ Cushman & Wakefield: Mikroapartments. Eine Assetklasse wird erwachsen, 2024⁵ *ibid.*⁶ Bulwiengesa. RIWIS database.

Top 7 Cities: Net migration balance from 2012 to 2023



Source: Bulwiengesa, NORD/LB Sector Strategy Real Estate

Another factor driving the rise in demand for smaller dwellings is the steady increase in one-person households. According to the Federal Statistical Office's 2022 census results, the number of one-person households increased by a quarter between 2011 and 2022. While there were around 14.0 million single households in 2011, eleven years later the figure stood at 17.4 million. Their share among all households has also risen from 37 % (2011) to 43 % (2022). One-person households are therefore already by far the most common form of housing. They are particularly common in large cities. In large cities with more than 100,000 inhabitants, over half (52 %) of households in 2022 were one-person households (2011: 46 %).⁷ According to the Federal Institute for Research on Building, Urban Affairs and Spatial Development (BBSR), the number of one-person households is projected to grow to 18.7 million by 2045, representing an increase of approximately 6 %. This trend is likely to be particularly evident in metropolitan areas, but will also not go unnoticed in many rural areas in southern Germany.⁸

Last but not least, the ageing population associated with demographic change is also an important driver of demand for alternative forms of housing. As the share of older people in the overall population continues to rise, the need for age-appropriate forms of housing and care is likewise increasing. Since 1991, the number of people aged 65 and over in Germany has risen significantly from 12.0 million to 18.7 million in 2023. At the same time, the number of people in the younger age groups is shrinking, meaning that the 65+ age group represents an ever larger share of the total population: people aged 65 and over accounted for 15 % of the population in 1991, a figure that had already reached 22 % by 2023. This demographic shift is particularly pronounced in eastern Germany, where the old-age dependency ratio – the ratio of over-65s to 20 to 64-year-olds – is particularly high due to the emigration of young people and low birth rates. According to forecasts, this trend is expected to continue across the nation in the coming years, with the eastern German states being particularly hard hit.

⁷ Statistisches Bundesamt. Zensus 2022: Singlehaushalte zahlen um 6,2 % höhere Mieten pro Quadratmeter als Haushalte mit mehreren Personen. Press release dated 9 April 2025

⁸ BBSR: Zahl der Singlehaushalte wächst weiter. BBSR legt Haushaltsprognose 2045 vor. Press release dated 30 July 2025

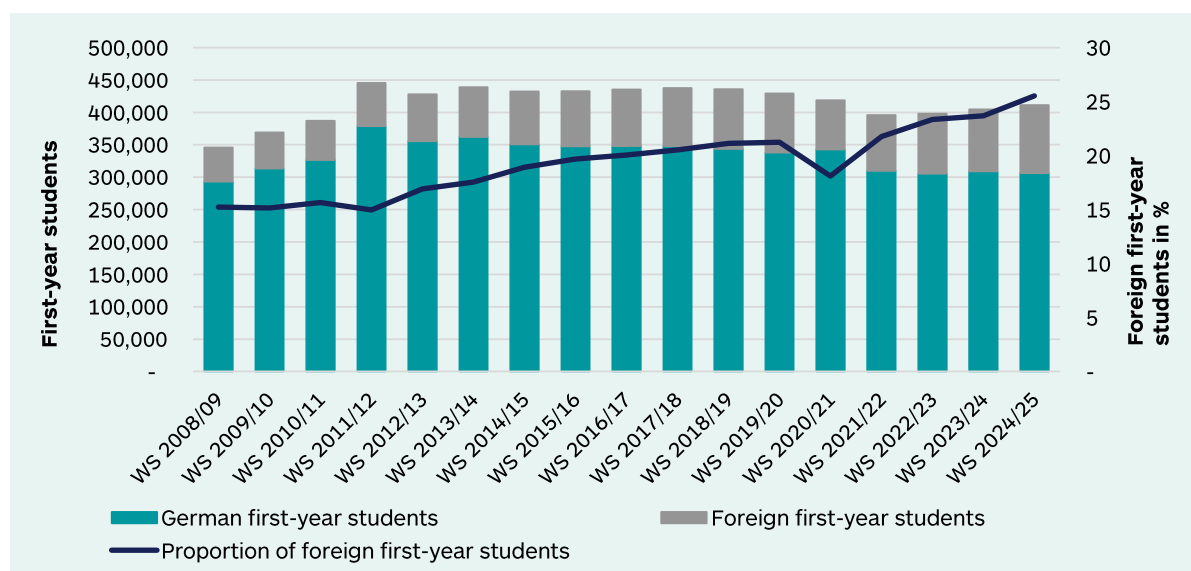
Target groups

The various target groups in need of forms of modern living are highly diverse. Nevertheless, they all share the need for available living space in the near future.

National and international students

Students represent one of the biggest drivers of demand. In view of the strained situation on the housing markets and the lack of public halls of residence, students at university campuses and in large cities have few alternatives to private student residences available to them. They often live alone, looking for a flexible housing solution with limited financial resources. As university cities experience an influx of new students each year, constant and predictable demand is guaranteed for modern forms of accommodation.

First-year students in Germany (winter semester)



Source: Statistisches Bundesamt, NORD/LB Sector Strategy Real Estate

In the 2024/25 winter semester, around 2.87 million students were enrolled in higher education institutions around Germany – virtually the same number as in the previous year.⁹ Between 2014 and 2024, the number of first-year students fell slightly by 2.7 %. While the number of German students fell by 13 % owing to demographic change, the number of international students rose by 33 %. This development underlines the continuing internationalisation of German universities since the introduction of the Bologna Process. With 92,600 international students, Germany currently has the highest absolute number of international students in continental Europe (+5 % compared to the previous year).^{10 11} The share of first-year foreign students reached a new high in the 2024/25 winter semester, accounting for 25.5 % (see chart above). This development has been fuelled by the high quality of education offered by German universities, the growing number of courses offered in English and the comparatively low tuition fees in international comparison.¹² Last but not least, Germany's attractiveness

⁹ Statistisches Bundesamt

¹⁰ *ibid.*

¹¹ Jones Lang LaSalle: German PBSA: Investing in the Future, June 2024

¹² CBRE: Modernes Wohnen: Neue Wohnkonzepte erobern die deutschen Metropolen, 2023

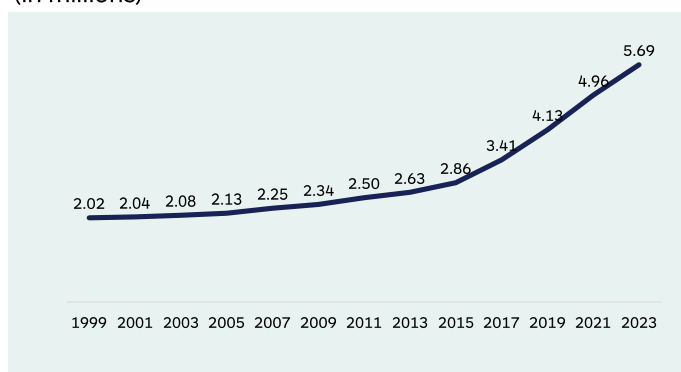
as an international study destination also stands to benefit from geopolitical tensions, including protectionist measures such as US tariffs and the Trump administration's threat of sanctions against US universities. In the short term at least, this development could not only improve the attractiveness of the three other leading international study destinations, namely Canada, Australia and the UK, but also Germany.¹³

According to forecasts, the share of international students in Germany is expected to increase by 27 % by the 2029/30 academic year. Demand is expected to primarily be driven by students from India, China and other Asian countries. In addition to growing international demand, domestic demographic changes could also lead to a further increase in demand in the student accommodation segment. From 2026 onwards, moderate growth is expected in the 20 to 24 age group, which is likely to be reflected in an increase in enrolment figures and the number of internationally mobile students by around 7 % within five years. Demand is therefore projected to significantly exceed the available supply in the future as well.¹⁴

Senior citizens

By 2040, the number of over 70-year-olds in Germany is expected to rise around 36 % to around 18.5 million. As a result, the number of senior citizens in need of care is continuously on the rise. By the end of 2023, there were around 5.69 million people in need of care across Germany – almost three times as many as at the start of the millennium. The share of senior citizens in care rises from around 11 % in the age group of 70- to 75-year-olds to around 84 % among the over 90s. Between 2011 and 2021, the share of senior citizens who were cared for at home increased by 96 %. This reflects the desire of older people to live independently in their own homes for as long as possible. This new trend has profoundly affected the sub-sector of age-appropriate forms of housing; a development that has likewise been driven by the prioritisation of outpatient over inpatient care. Figures also show that the majority of senior citizens are not in need of care owing to higher life expectancies, better living conditions and greater health awareness. This is where it becomes important to distinguish between care homes and modern housing facilities for senior citizens.

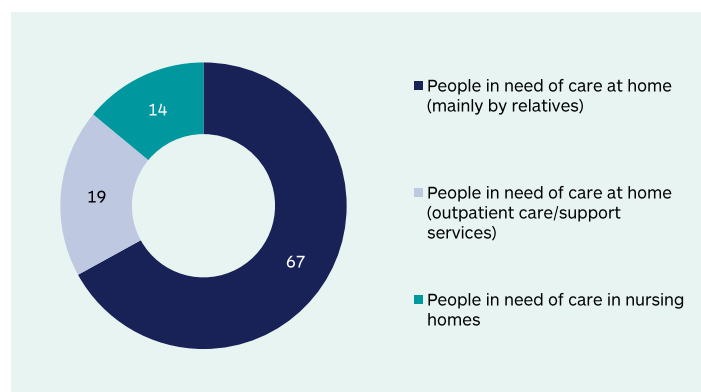
Development of the number of people in need of care (in millions)*



Source: Statistisches Bundesamt (Destatis) 2025, NORD/LB Sector Strategy Real Estate

* Survey takes place every two years

People in need of care by type of care 2023 (in %)*



Source: Statistisches Bundesamt (Destatis) 2025, NORD/LB Sector Strategy Real Estate

* Survey takes place every two years

¹³ Jones Lang LaSalle: Deutscher PBSA-Markt 2025

¹⁴ *ibid.*

Young professionals, commuters and international professionals

Young professionals under the age of 35, commuters and international professionals, otherwise known as expatriates, represent another important target group for modern living. Expats often come to Germany from abroad for a temporary job and require suitable short-term accommodation – ideally together with additional services.¹⁵ The number of migrants workers who have come to Germany from non-EU countries to work has been steadily on the rise since 2010. In 2023, Germany had a total of 419,000 migrant workers, a quarter of whom are academics. Compared to the previous year, the number of migrant workers had increased by 19 %, or 68,000.¹⁶ In addition, many workers moved to the outskirts during the pandemic and now only occasionally travel into the cities, increasing the demand for temporary housing solutions. The same applies to employees on projects who do not permanently live in the cities they are temporarily working in. Between 2019 and 2024, the number of commuters to Germany's Top 7 markets increased by 14.9 %, or 333,000 people.¹⁷ The factor uniting these groups is that they are only temporarily living in the cities they work in. If their work takes them a long way from home, they will often look for a second home or temporary and flexible rental accommodation. The search for accommodation should take as little time as possible. Ideally, the accommodation should also be available fully furnished and in the city centre. Professionals usually rent accommodation themselves, but companies are also increasingly providing accommodation for their employees.¹⁸

Tourism continues to generate demand

In addition to students, senior citizens and professional commuters, tourists are also affecting demand for accommodation. In 2024, the number of overnight stays from Germany and abroad reached a record-breaking 496.1 million. This corresponds to a 1.9 % increase over the previous year. The previous record set in 2019, the year before the coronavirus pandemic, was therefore exceeded by 0.1 %.¹⁹ Modern living has become increasingly appealing for longer stays, especially among travellers with reduced or flexible requirements in terms of additional services. The lines between the conventional residential and hotel sectors are becoming increasingly blurred.²⁰

Concepts on the market

In recent years, numerous approaches to modern living have established a firm foothold. In light of the acute housing shortage and the changing needs of different target groups, there is a growing need for fast, flexible, efficient and sustainable solutions. These include functional, optimally equipped apartments that take up minimal space and can be built and used in a resource-saving manner thanks to their compact size and flexible design.

Modern living approaches are diverse and increasingly complement the traditional housing stock. Although the traditional rental housing market is by far the largest sector, interest in alternative, modern living forms has increased considerably, both among prospective tenants and institutional investors. The disparity between the individual modern living segments has become increasingly pronounced in recent years, with each form geared towards different target groups. With their characteristics, modern forms of living are responding to the requirements of students, working people and senior citizens resulting from socio-demographic trends, including high mobility, time constraints or the desire for support in old age, and counteracting the growing housing shortage in major cities. According to CBRE, modern forms of

¹⁵ CBRE: Modernes Wohnen: Neue Wohnkonzepte erobern die deutschen Metropolen, 2023

¹⁶ Destatis: Erwerbsmigration im Jahr 2023 erneut stark gestiegen. Press release, 2 May 2024

¹⁷ Bulwiengesa: RIWIS database

¹⁸ CBRE: Modernes Wohnen: Neue Wohnkonzepte erobern die deutschen Metropolen, 2023

¹⁹ Destatis: Tourismus in Deutschland im Jahr 2024: Mehr Übernachtungen als je zuvor. Press release, 11 February 2025

²⁰ CBRE: Modernes Wohnen: Neue Wohnkonzepte erobern die deutschen Metropolen, 2023

surcharge may be charged for furniture, which does not have to be disclosed separately and is not yet regulated by law.²³ As the majority of modern living options are new builds or extensively renovated properties, they are exempt from the rent cap anyway. This will remain the case even after the latest update to the corresponding regulation, which has extended the rent cap until the end of 2029. Notably, the rent cap does not apply to apartments that were first occupied and rented after 1 October 2014.²⁴ As a result, prices per square metre are frequently significantly higher than those of conventional apartments. In return, tenants receive a transparent overall package without any unexpected additional payments during the lease period. Service fees vary depending on the operator and the scope of services. Modern living concepts are making an important contribution to the scarce supply of housing in cities and university locations, and supplementing the traditional housing supply for a range of target groups.²⁵

The latest market developments for modern living

Modern living – a new asset class

Modern living is a new, future-oriented asset class that responds to social trends such as singularisation, mobility and ageing. The investment market for modern living is experiencing heightened interest from both domestic and international investors. While investors initially concentrated primarily on the student housing segment, their focus has broadened considerably in recent years. In addition to privately run student residences, interest in other modern forms of living such as serviced apartments, co-living, micro-living and senior living with services is steadily on the rise. Investments are especially sought after in the Top 7 markets and in traditional university locations with good infrastructure, where demand for flexible living solutions is high and supply is scarce. Investors are paying close attention to the fulfilment of ESG criteria when making investment decisions. In addition to the key drivers of demand outlined above, interest among investors in the modern living asset class is being fuelled by attractive yield opportunities. Due to the ongoing lack of rent regulation for modern living options, this asset class offers comparatively high rents and yields compared to traditional housing. German investors make up the largest share of buyers, but demand has also been strong among foreign investors. Interest has been particularly high among investors from North America, the UK and Asia – regions in which modern living is already an established asset class. These investors view the current market maturation in Germany as an opportunity to secure a market share at an early stage and are therefore increasingly focussing on portfolios and platform solutions. Alongside traditional direct investments, there have recently also been several instances of international players acquiring stakes in and taking over operating companies.²⁶ It should be noted that senior living with services is not included in the modern living asset class by default. Instead, it is usually listed separately in traditional market segmentation. In the overarching investment context, however, it makes sense to consider senior living with services as part of a broader interpretation of modern living in light of their similarity as conceptually developed forms of living with comparable operator structures and rental models and strong, rising demand owing to demographic changes.

Following on from the high transaction volumes recorded in 2021 and 2022, the investment market for modern living in Germany – which is limited to student housing, co-living, micro living and serviced

²³ Wissenschaftliche Dienste Deutscher Bundestag Fachbereich WD 7: Auswirkungen der Vermietung möblierten Wohnraums auf die Mietpreisbindung, 10 February 2025

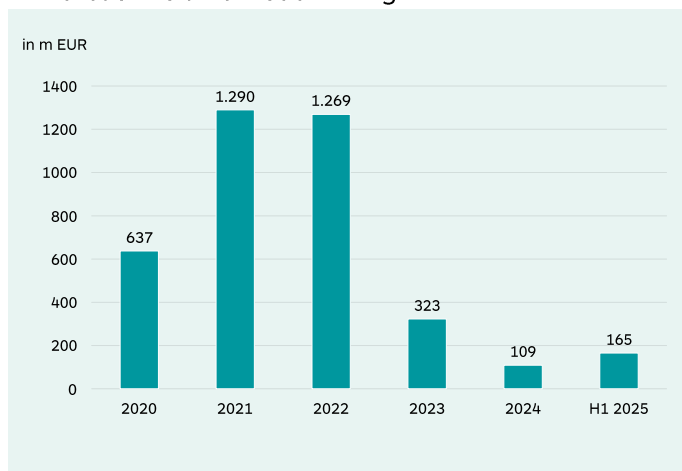
²⁴ <https://www.bundesregierung.de/breg-de/aktuelles/verlaengerung-mietpreisbremse-2350648>, accessed on 21 August 2025

²⁵ Cushman & Wakefield: Mikroapartmentmarkt Deutschland, 2024

²⁶ CBRE: Modernes Wohnen: Neue Wohnkonzepte erobern die deutschen Metropolen, September 2023

apartments according to CBRE – experienced a significant slowdown in the two years the followed. This slump is largely down to higher financing costs and limited supply. In previous years, the market was strongly influenced by transactions involving new builds and properties built in the recent past. The decline in the number of completions therefore had a disproportionately high impact on the transaction volume. Many of the properties traded in the past are still in their first investment cycle.²⁷ According to CBRE, only five transactions with a total volume of around EUR 109 million were registered in the modern living asset class in 2024 – the second-lowest figure since market monitoring began in 2010. In spite of this, the market began to pick up in mid-2025: with ten transactions and a total volume of around EUR 165 million, the total volume achieved in the previous year has already been exceeded. Although the volume remains below the historical value, a structural shift is apparent. Investors are increasingly looking to older existing properties – some of which have been in use for over 30 years. Only three of the transactions were for more recently completed properties or new developments. This highlights the foothold gained by value-add strategies in the segment, in which renovations, among other things, are used specifically to achieve return targets. Meanwhile, the supply of new builds and recently constructed existing properties remains limited due to the challenging financing environment. Approval authorities are often still reluctant to grant planning permission for modern living concepts, as the business model is not yet fully established. According to CBRE, the average prime yield in the Top 7 markets was stable at around 4.60 % in the first half of 2025. Depending on the type of modern living asset and the real estate agent, the yield premiums over classic residential range between 50 and 120 basis points, largely due to the higher letting rates and the operator risk associated with modern living concepts.²⁸

Transaction volume modern living*



Source: CBRE, NORD/LB Sector Strategy Real Estate
(*Student housing, Micro- and Co-Living, Serviced Apartments)

Prime yield modern living* vs. residential



Source: CBRE, NORD/LB Sector Strategy Real Estate
(*Student housing, Micro- and Co-Living, Serviced Apartments)

High demand and supply deficit drive up rent levels

Co-living and micro-living concepts have established themselves on the German investment market in a similar way to traditional student living. Germany's Top 7 markets currently have around 16,700 residential units in the privately operated student segment and around 12,300 apartments in the two other modern forms of modern living. These figures illustrate the increasing relevance of alternative forms of housing beyond the target group of students. In recent times, the completion of new projects has noticeably slowed down, largely due to increased financing hurdles to which private operators are

²⁷CBRE: Modernes Wohnen in Deutschland, H2 2024

²⁸CBRE: Modernes Wohnen in Deutschland, H2 2024 und H1 2025

particularly exposed. A look at the pipeline of modern living projects paints a similar picture: While over 2,000 new units are expected to be added to the market in Berlin and over 1,000 in Cologne, the other Top 7 markets are expected to see significantly lower growth. On the whole, supply remains scarce in all cities. Even after the properties coming onto the market have been completed, demand, especially from students, will not be met. In addition to the activities of private providers, the *Studierendenwerke* are currently developing around 1,300 new residential units in the Top 7 markets. While these projects may represent a much-needed important addition, they are not numerous enough to overcome the structural shortage.²⁹

Rent prices for modern living concepts are showing robust growth. Owing to the similarity between the available options, all-inclusive rents for student housing (PBSA), co-living and micro living are generally comparable, ranging between EUR 30.00 to EUR 40.00 per sqm each month. The range of rent prices highlights how this segment aims to offer diversity and accommodate different tenant requirements. Amenities and the scope thereof also partly explain the variance in rent prices. In Munich, prices for co-living and micro-living are significantly higher than for student housing due to the focus on high-income professionals. As a result of their distinct business model, serviced apartments command an even higher rent price in excess of EUR 70.00 per sqm per month. Operators have recently been observed to be pursuing contrasting price adjustment strategies. While smaller apartments used for student housing were subject to above-average price hikes, larger apartments were largely spared from any major adjustments. In the case of serviced apartments, short-term rents were more often increased compared to long-term rents. The prevailing high demand from the target groups addressed in combination with the lack of alternatives on the rental property market in German cities is driving prices upwards across the board.³⁰ In view of the lack of regulation concerning furnishings and the significantly higher turnover (30 – 50 %) for these properties, operators are able to quickly adapt to local supply and demand conditions.³¹

Outlook – Market for modern living continues to pick up

Against the backdrop of long-term socio-economic trends and the tight housing situation in major German cities and student towns, we expect investor interest in the modern living asset class to rise – both in Germany and at the European level. This assessment is supported by the results of the CBRE European Investor Intentions Survey 2025. Particularly noteworthy is the student housing sub-asset class, which was the clear favourite among the investors surveyed.³² The survey shows that investors are increasingly focusing on diversifying their residential property portfolios, specifically looking for properties that combine stability and growth potential. An additional driver behind this development is the latent risk of regulatory intervention in the traditional rental property segment, which makes modern living options stand out as a strategically attractive alternative.

The transaction market in the modern living segment is expected to gain ground in the second half of 2025. A transaction volume in excess of EUR 500 million is forecast for 2025 as a whole, indicating a flourish in market activity. In addition to further consolidation of the highly fragmented operator market, increased M&A activity can also be expected. Given the recovering financing environment, prime yields are likely to decline slightly until the end of 2025, with a stable level expected in the medium term.³³ Due to high demand and limited alternatives, rents in the modern living segment are anticipated to continue rising, depending on location and quality of supply. Nonetheless, letting higher-priced residential

²⁹ CBRE: Modernes Wohnen in Deutschland, H1 2025

³⁰ CBRE: Modernes Wohnen in Deutschland, H2 2024

³¹ JLL: German PBSA: Investing in the Future, June 2024

³² CBRE: European Investor Intentions Survey, January 2025

³³ CBRE: Marktreport Modernes Wohnen, H1 2025

apartments in particular is considered challenging by the majority of owners, operators, and/or property managers due to growing price sensitivity among tenants.³⁴

For the most part, the market outlook is positive. Modern living options are increasingly gaining traction as an integral part of institutional investment strategies. The structural market conditions, regulatory framework and investor preferences point to the continued relevance and growth prospects of this asset class in 2025 and beyond.

Student housing (PBSA market)

Growth potential in Germany

In view of the current pressure on the housing market, demand for high-quality, purpose-built student accommodation (PBSA) in Germany has reached a historical high. The growing demand for student housing has primarily been fuelled by the rising number of international students, which is also likely to increase substantially over the next five years. Domestic demographic developments could also lead to a further increase in demand in the student housing segment (see “Drivers of demand” segment).

According to forecasts by Jones Lang LaSalle (JLL), the current supply gap of around 580,000 beds (as at 2024/25) is likely to widen to around 705,000 beds by 2029/30.³⁵

The increasing internationalization of demand is accompanied by a shift towards high-quality offerings. Since studying in Germany is generally free of charge even for non-EU citizens, this reduces the overall costs for international students and increases the budget available for housing. Demand for plug & play accommodation has also been picking up as a result of the rise international students and the desire for flexible accommodation solutions. Plug & play solutions are highly standardised, ready-to-use housing solutions that are characterised by furnishings, services (e.g., Wi-Fi, cleaning, laundrette), and flexibility (short rental periods, easy booking, often digitised). They are particularly common in the private sector and are seen as the answer to the growing demand for urban, affordable, and comfortable living space for students and young professionals. At the same time, there is a lack of high-quality offerings in the PBSA segment: Public *Studierendenwerke* often offer only limited quality, while demand for halls of residence with better facilities, service and security standards is continuously on the rise. This goes hand in hand with the ongoing internationalisation of Germany as a university destination and is leading to market alignment with leading student countries. The situation on the private rental housing market is also becoming more acute with low turnover and high demand leading to a shortage of available apartments, making it particularly difficult for international students to access the housing market.³⁶

As things currently stand, the majority of students in Germany are still housed in private rented accommodation (39 % of students live alone or with a partner in rented accommodation; a further 29 % live in private shared apartments and around 20 % live with their parents). Only 11.8 % of students in Germany are currently housed in the PBSA segment. This means that Germany has a significantly lower supply rate than the UK, for example (33 %). The private PBSA sector only accounts for around 102,600 beds – less than a third of the total number of PBSA beds. The remainder is accounted for by publicly subsidised accommodation, most of which is provided by the *Studierendenwerke* (around 237,000 beds).

³⁴ bulwiengesa: Initiative Micro-Living, 11. Marktreport Frühjahr 2025

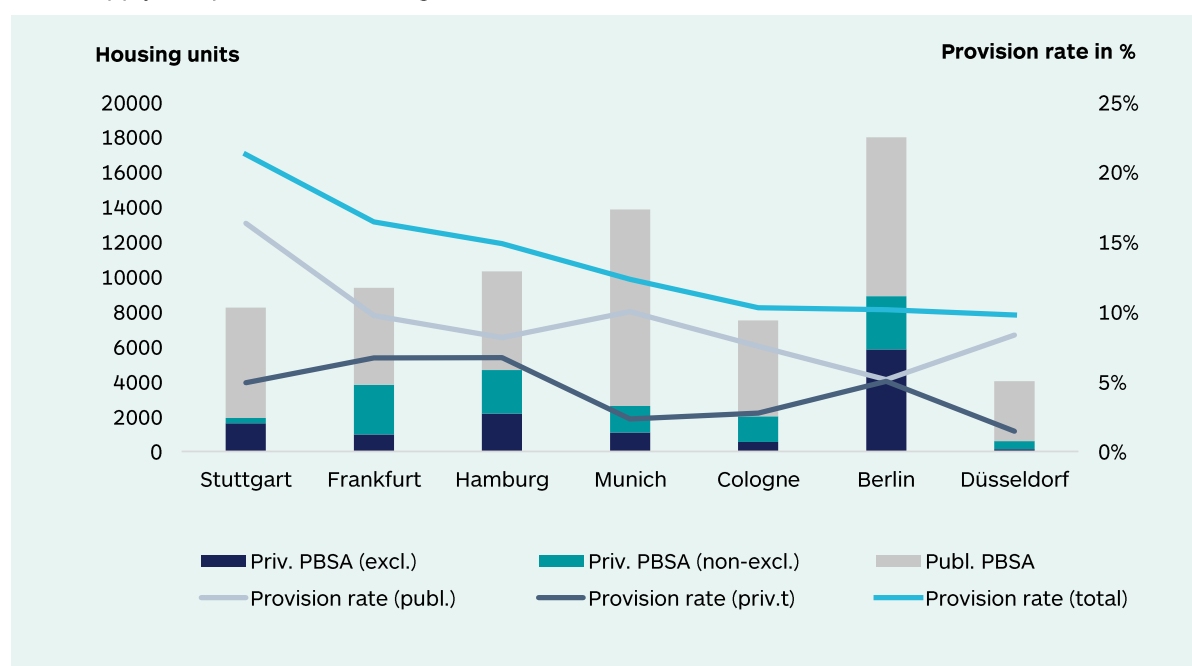
³⁵ Jones Lang LaSalle: Deutscher PBSA-Markt 2025

³⁶ *ibid.*

The supply rate for this public accommodation was 9.6 % in 2023, compared to 12.2 % in 2003. This shortfall can be explained by the fact that the number of halls of residence offered by the *Studierendenwerke* was unable to keep pace with the growth in student numbers.³⁷ In addition, numerous properties were temporarily taken off the market for modernisation. Many halls of residence are getting old and require considerable investment. More recently, however, there has been a slight increase in the number of places in halls of residence: in 2024, *Studierendenwerke* provided 240,728 places nationwide, which corresponds to a supply rate of 10.05 %. Despite this increase, supply still has a long way to go to catch up with demand. The persistently low level of provision by public institutions has contributed significantly to the expansion of the private PBSA segment over the past decade.³⁸

Over the past five years, the number of privately operated PBSA units in Germany's largest cities has increased significantly. In the summer semester of 2025, private providers accounted for roughly 34 % of all PBSA units in the 'Big 7'. However, there are considerable regional differences: Berlin has the highest share at 49.4 %, followed by Hamburg (45.2 %) and Frankfurt am Main (40.8 %). Düsseldorf is at the lower end with a share of just 14.8 % (see chart below). This development underscores the growing importance of private players in the student housing market, particularly in cities with a strong international influx and limited publicly-owned housing supply.

PBSA supply and provision rates (Big 7 cities)



Source: JLL EMEA Living Research 2025, destatis, DSW 2024. Private PBSA (exclusive and non-exclusive for students). Public PBSA = *Studierendenwerke*; NORD/LB Sector Strategy Real Estate

The pipeline for private and public development projects contains just under 7,500 units per year for 2025 and 2026, 81 % of which were already under construction by the second quarter of 2025. The actual completion level is expected to be 15-25 % lower due to project cancellations and delays during development. Of the units currently under construction or planned for 2025 to 2027, 24 % are properties

³⁷ Jones Lang LaSalle: German PBSA: Investing in the Future, June 2024

³⁸ Jones Lang LaSalle: Deutscher PBSA-Markt 2025

that will later be operated by the *Studierendenwerke*, while the remaining 76 % are private PBSA developments. Many of the projects launched in the recent past have been partially funded by subsidies. The increased use of subsidy programmes in the PBSA segment is a direct response to the challenges posed by rising capital and construction costs. Subsidies are generally also granted per unit, not per square foot of living space, which increases the economic viability of small apartments.³⁹

In summer 2025, the average monthly gross rent for private PBSA in the Big 7 cities was EUR 870. Alongside the standard bills and fees, the gross rent also includes costs for WiFi and the use of communal areas. Properties that cater specifically to students cost an average of EUR 720 per unit, while rooms in hybrid forms of accommodation reached an average of EUR 1,070. By contrast, average gross monthly rents including bills for accommodation provided by the local *Studierendenwerke* are significantly lower, ranging from EUR 563 in Hamburg on the upper end to EUR 321 in Cologne. Gross rents in the private PBSA segment rose by 2.2 % in the summer semester compared to the 2024/25 winter semester. Notably, rents for private PBSA halls of residence geared solely at students have exhibited a different trajectory to non-exclusive, hybrid private PBSAs. As student-only properties are generally subject to rent caps and occupancy limitations owing to the provisions of subsidies, rents in this segment remained virtually unchanged (-0.4 %). Hybrid concepts, on the other hand, recorded an increase in rents amounting to roughly 4.8 %. Rising rents and high occupancy rates in halls of residence reflect the fraught situation on the rental housing markets. The imbalance between supply and demand is also reflected in the particularly long waiting lists. Students in Berlin typically wait an average of 18 months for a place, whereas in Munich the wait is almost 23 months. These long waits further emphasise the urgent need for more diverse and accessible housing solutions for students.

In Germany, PBSA accounted for just 1 % of investments in the housing segment in 2024, compared to 16 % in the rest of Europe, highlighting the untapped market potential of the German PBSA sector. Growth in the PBSA segment continues to be driven predominantly by real estate development. However, the development pipeline has tangibly shrunk in recent times as a consequent of rising construction and financing costs. Prime yields in the PBSA sector in the largest German cities currently stand at between 4.1 % and 4.5 %, depending on the market. The disparity between PBSA and prime yields on the housing investment market lessened between 2021 and 2025. The declining yield spread indicates a considerably more positive assessment of the risk profile in the PBSA segment. Following on from the uncertainty and low utilisation rates due to the pandemic that plagued the market in 2020 and 2021 and caused the spread to widen, we are currently in a midst of a turnaround. There has recently been an uptick in sales of existing properties, development projects and platforms. A higher transaction volume is therefore forecast for 2025. Pan-European investors backed by strong market experience are particularly active at present and increasingly entering the German PBSA market. These investors will likely play a key role in shaping the market's development moving forward.⁴⁰ To illustrate, European student accommodation provider Nido Living has already stated its intention to expand into Germany. The company already maintains portfolios in Spain, Portugal and the Netherlands.⁴¹

After years of continuous growth, a diverse provider landscape has now taken root in Germany, characterised by several large, nationwide platforms. The majority of operators are affiliated with either a project developer or a real estate investor. In Germany, the main providers of private student accommodation include International Campus with its brand THE FIZZ, FDS Gemeinnützige Stiftung with Felixx student, TPG with Home & Co, GSA with Yugo, Cresco with Neon Wood and Tannhaus, Mondial

³⁹ Jones Lang LaSalle: Deutscher PBSA-Markt 2025

⁴⁰ *ibid.*

⁴¹ Immobilien Zeitung: Nido Living steigt mit Daniel Havers in den deutschen Markt ein, 18 August 2025

Campus, the developers and providers i Live as well as Base Camp with its brand of the same name. 360 Operator by Capital Bay with its Staytoo brand is another provider on the list. Other well-known private players in this market include Campus Viva, FU.Life and Cube Life.⁴²

On the whole, it is clear that the demand for student accommodation will remain high in the long term – coming not only from students in the narrower sense, but increasingly also from young professionals, expats and commuters. These hybrid utilisation concepts facilitate a smooth transition to the co-living segment. The PBSA market offers investors stable gains, structural growth and opportunities to diversify.

Growth markets in Europe

Similar to Germany, the European market for student accommodation has also thrived in recent decades. The number of students continues to rise, fuelled by growing international interest in the region's top universities. According to forecasts, the number of students in Europe is expected to rise to 23.5 million by the 2023/31 academic year, which corresponds to an increase of 2 million students, or 10 %, compared to 2021/22. Particularly noteworthy is the rise in international students, who accounted for almost 50 % of the total increase.⁴³ Increasingly internationalisation among European universities and comparatively low tuition fees in international comparison have been fuelling the uptick in student numbers. Investor interest is also growing thanks to strong performance figures and stable capital values.

As part of a Europe-wide study conducted in 2024, JLL analysed the extent of the supply shortage in the student housing sector. 40 cities in 16 European countries were analysed in terms of demand, supply and investment opportunities, among other factors.⁴⁴ According to the results of the study, the demand for student accommodation clearly outstrips the available supply. The study found that there are 2.2 million PBSA beds in the European cities analysed, resulting in a supply rate of just 14 % for this specific form of accommodation. 86 % of students therefore do not have accommodation specifically designed to meet their needs. Instead, they need to resort to alternative forms of housing such as shared apartments or the open rental market. The latter of which has recently experienced higher barriers to entry, especially for students, due to increased excess demand. The resulting supply gap amounts to around 3.2 million beds, opening up considerable investment potential. In order to close the existing supply gap, investments totalling around EUR 450 billion would be required, 34 times the previous record reached in 2022.⁴⁵ Investment potential is particularly pronounced in continental Europe owing to significantly lower investment volumes in the region compared to the UK in recent years. As a result, the key continental European markets would need to grow 13-fold on average to reach the British average recorded between 2018 and 2022. In Germany, a total of EUR 0.5 billion was invested in 2022. For the largest student markets, Germany and France, the high unmet demand indicates considerable investment potential. Moreover, low supply rates are particularly evident in southern European countries such as Spain, Italy and Portugal (see next figure).

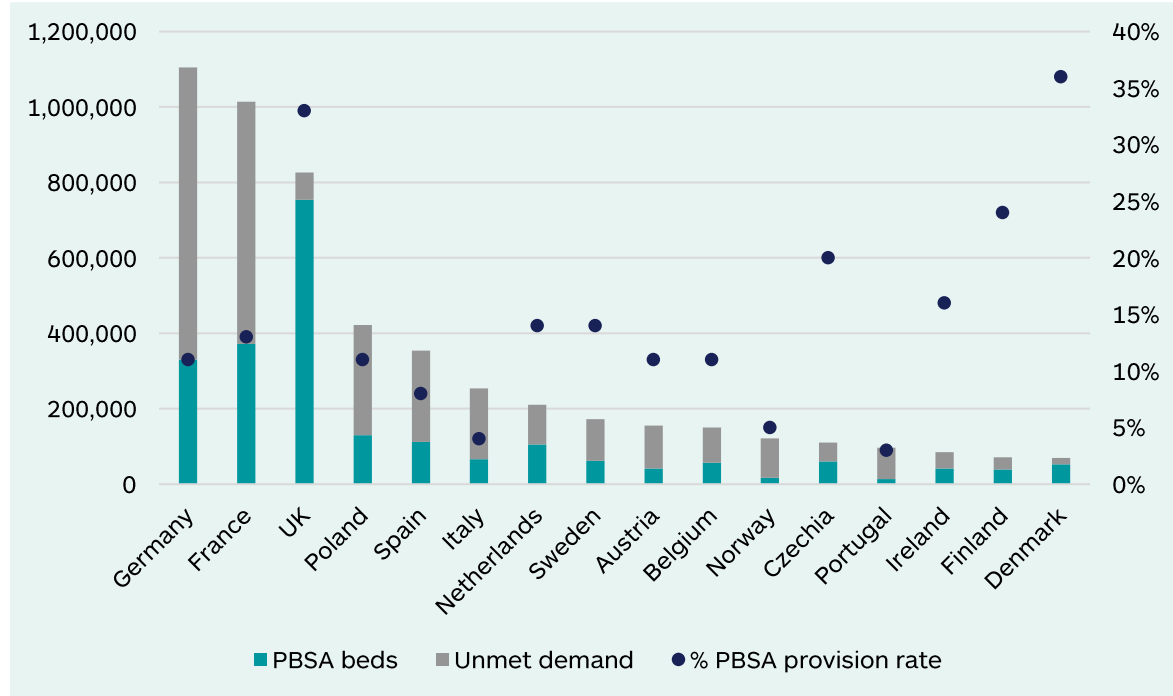
⁴² Savills: Studentisches Wohnen in Deutschland – Ein Marktüberblick, June 2025

⁴³ Jones Lang LaSalle: European PBSA – Investing in the Future, June 2024

⁴⁴ *ibid.*

⁴⁵ Jones Lang LaSalle: European PBSA - Investing in the Future, June 2024

European PBSA landscape: Average PBSA provision rate of 14 % equates to 3m unmet demand across key markets



Source: JLL Research, Eurostat, HESA, local statistical sources, NORD/LB Sector Strategy Real Estate
*Unmet demand is based on PBSA stock, 80 % of international students and 40 % of domestic migratory students. This unmet demand can be covered by both the PRS and PBSA.

London, Paris and Barcelona were singled out as the most important regional growth markets in the JLL analysis (see map below). The British capital is regarded as the most mature and liquid PBSA market in Europe. It has the largest concentration of international students. The supply rate in London is 19 %, below the British average of 33 %. With a shortfall of over 150,000 beds, London has the highest total unmet demand in Europe. Despite this, rents for PBSA in London are the highest in Europe, which is a concern for British students in terms of affordability. Paris also has a large supply gap with a supply rate of only 4 % for over 400,000 students. Political measures to internationalise higher education will further boost demand for PBSA. These developments are likely to accelerate the annual growth in student numbers, which has been below average in the past. Barcelona has likewise exhibited flourishing growth in demand thanks to its rising proportion of international and domestic students. The city offers high-quality, affordable education and is currently pursuing a policy of internationalising the higher education sector. Barcelona also boasts strong operating performance figures. In Catalonia, however, the risk that rent regulation could be extended from the residential sector to the PBSA sector represents an important investment factor.⁴⁶

⁴⁶ Jones Lang LaSalle: European PBSA - Investing in the Future, June 2024

PBSA: Top 20 Growth markets in Europe



Source: JLL Research, NORD/LB Sector Strategy Real Estate

Rome, Paris, and Warsaw are among the top 10 cities with the highest supply shortage in Europe. Three German cities are also on the list, with Cologne, Berlin and Hamburg ranking seventh, eighth and tenth respectively. The four British cities of London, Glasgow, Manchester and Bristol have exhibited the highest growth in demand. By comparison, Berlin and Munich were the highest-ranking German cities in terms of demand, in ninth and tenth place respectively.

The most important European cities in the PBSA segment are recording stable performance figures. Average PBSA rents rose by 11 % in 2023/24. In under-served markets where the number of students has risen sharply and new accommodation offerings are only now entering the market, such as in Lisbon and Milan, the increase in demand was even higher. For the first time, average rent growth in the European PBSA sector outpaced growth in the private rental market.⁴⁷ High rent growth projected to exceed inflation is also expected to continue into 2025/26.⁴⁸ Occupancy rates also rose in the largest markets – ultimately reaching 98 % at present – underscoring growing demand even in the face of higher rents. Private PBSA properties are on average 8 % cheaper than comparable studios available on the private rental market and also offer additional benefits such as communal facilities and services.⁴⁹

Investment in the PBSA segment in Europe has markedly risen over the past decade. Despite a weak fourth quarter, the investment volume rose by 34 % to EUR 7.2 billion in 2024, reflecting heightened investor confidence and price stabilisation following a period of higher capital costs. The UK accounted for 62 % of investments, followed by Spain with 12 %, thereby doubling its share between 2019 and 2023. Ireland, the Netherlands and Spain recorded the largest rise in investment, all of which benefited from several major projects.⁵⁰ In Germany, transaction volumes have been volatile in recent years and limited

⁴⁷ Jones Lang LaSalle: European PBSA - Investing in the Future, June 2024

⁴⁸ <https://www.jll.de/en/trends-and-insights/research/european-pbsa-market-dynamics>, accessed on 18 June 2025

⁴⁹ Jones Lang LaSalle: European PBSA - Investing in the Future, June 2024

⁵⁰ <https://www.jll.de/en/trends-and-insights/research/european-pbsa-market-dynamics>, accessed on 18 June 2025

by the existing housing stock. In 2024, transactions in Germany only accounted for around 4 % of the total European volume.⁵¹

Cushman & Wakefield's survey results among European residential real estate investors reaffirm that the European PBSA market is likely to continue on its growth trajectory in the coming years. According to the survey, 75 % of investors stated that they would increase their exposure in this segment in the next three years. The decisive factors behind this decision are solid fundamentals, rent growth that is outpacing the rate of inflation and less regulation compared to the conventional rental market.⁵² In addition, Gen Z is also gravitating towards high-quality PBSA complexes with more amenities, which is expected to further fuel demand.⁵³ Last but not least, an attractive yield spread compared to traditional residential property also speaks in favour of investments in the PBSA segment in continental Europe.⁵⁴

Serviced apartments

German market on course for expansion

The market for serviced apartments continues to expand, driven by various megatrends such as growing (job) mobility, urbanisation, individualisation and digitalisation. With its concept, the segment appeals to a broad target group ranging from long and short-stay guests, business and leisure travellers in the premium to budget segment and has developed into a highly sought-after form of accommodation.⁵⁵ Serviced apartments have already proven to be highly crisis-resistant during the pandemic years. A key factor behind their success at the time was the need of many guests for privacy and security – a requirement that was particularly well met by serviced apartments with their own kitchenette and contactless check-in/check-out procedures. Even though this advantage has lost some of its relevance with the resurgence of international tourism, some hotspots still catch the eye of both visitors and investors.⁵⁶

The combination of a reduced range of services compared to other forms of accommodation and a largely digitised guest journey enables significant reductions in operating and personnel costs – two factors which are becoming increasingly significant against the backdrop of the ongoing shortage of skilled labour and rising costs. The hybrid utilisation concept, which covers both short-term and medium-term stays up to a maximum of six months, makes it possible to flexibly adapt to suit the needs of different demand segments. Depending on the target group, the size of the apartments varies between 20 and 40 sqm. Community areas such as a breakfast room or coworking spaces are available with certain concepts. Guests also have access to services such as weekly apartment cleaning and washing machines. Serviced apartments therefore form a bridge between classic short-stay hotels and residential apartment concepts designed for temporary living. At the same time, the more efficient utilisation of space and resources results in greater cost-effectiveness. Despite these encouraging fundamentals, it remains to be seen whether high rents can be achieved in the long term.⁵⁷

⁵¹ Jones Lang LaSalle: Deutscher PBSA-Markt 2025

⁵² Cushman & Wakefield 2025: European Living Survey 2025

⁵³ CBRE Research: Real Estate Market Outlook 2025 – Europe

⁵⁴ CBRE Research: European student housing: The growing demand for PBSA in a constrained market, November 2024

⁵⁵ Union Investment und Apartmentservice: Potentialanalyse Serviced-Apartment-Markt. Betrachtung 40 ausgewählter Standorte in Deutschland und Europa. October 2023

⁵⁶ Savills: Serviced Apartments: Weiterhin auf Wachstumskurs. Blog post from 2 December 2024.

⁵⁷ Zentraler Immobilien Ausschuss e.V. (ZIA): Frühjahrsgutachten Immobilienwirtschaft, 2025

In May 2025, the market volume in Germany currently comprised around 55,200 units in just over 1,000 buildings with at least 15 units. Investment is focused on the country's A cities, with Berlin, Munich, Frankfurt, and Hamburg accounting for 42 % of the total supply. According to Apartmentservice, there is also considerable interest in B, C, and D destinations.⁵⁸ As part of a study conducted by Apartmentservice and Union Investment on the potential for serviced apartments in Germany, future investment potential of approximately 41,500 additional units was identified for 2023. According to the study, the greatest investment potential lies in the cities of Munich, Berlin, and Hamburg, despite an already highly diverse offering on the markets.⁵⁹

Thanks to the flexibility of the concept, apartment operators have been able to adapt well to changing guest booking behaviour in recent years. While in 2019, around 36 % of bookings in serviced apartments were for long-stay guests (stays of 28 nights or more) and 41 % for short-stay guests (1 to 6 nights), the past two years have seen a clear trend toward shorter stays. In 2024, 61 % of guests stayed for a maximum of six nights, and only 27 % of bookings were for extended stays. Experienced operating companies such as Brera Serviced Apartments and Ipartment have adapted their room concepts and digitalised organisational structures to the booking behaviour and changing demands of short-stay guests.⁶⁰

Despite challenging economic conditions, the sentiment among apartment operators in 2024 was largely optimistic. The serviced agreement segment in Germany achieved an average annual occupancy rate of 81 %. In the previous year, this figure was similarly high at 82 %. The average daily rate (ADR) rose to EUR 91, reaching a new high since reporting began in 2011. The aparthotel sub-segment in particular, offering a higher level of service than apartment buildings, contributed to this increase with record annual rates, while serviced apartment buildings generated an average annual ADR just below the 2019 level – despite the strong trend towards short stays observed among this type of establishment. Overall, the average length of stay fell to nine nights.⁶¹ Ultimately, the stable performance figures for service apartments are piquing investors' interest. Hybrid utilisation models, including combining living with work spaces, has also opened up additional sources of income.⁶²

The majority of serviced apartment units in Germany are provided by Adina Hotels. WMM Hotels is the second biggest provider, which has been rapidly expanding in the modular construction sector for years, overtaking Living Hotels as a result. Expansive operator brands such as Numa, Limehome, Novum Hospitality, Ipartment, Stayery and i Live (Rioca) are also continuing to push their way to the top with their steadily growing pipelines and will further disrupt the balance of power in this segment. Despite committed expansion strategies by market participants, the volume of new construction in 2024 suffered from the general challenges facing the construction industry. With a projected new construction rate of 28 % by 2028, this falls far short of the identified investment potential.⁶³ Serviced apartments are increasingly competing with traditional hotels while, at the same time, playing a problem-solving role in tight housing markets by opening up the possibility of longer stays.

Growth markets in Europe

Within Europe, Paris and London are the leading markets for serviced apartments, with approximately 11,900 and 11,300 units respectively. The British capital, currently the second-largest European market, is

⁵⁸ Apartmentservice: Marktreportzahlen 2025. Press release from 15 May 2025

⁵⁹ Union Investment and Apartmentservice: Potentialanalyse Serviced-Apartment-Markt. Betrachtung 40 ausgewählter Standorte in Deutschland und Europa, Oktober 2023

⁶⁰ Zentraler Immobilien Ausschuss e.V. (ZIA): Frühjahrsgutachten Immobilienwirtschaft, 2025

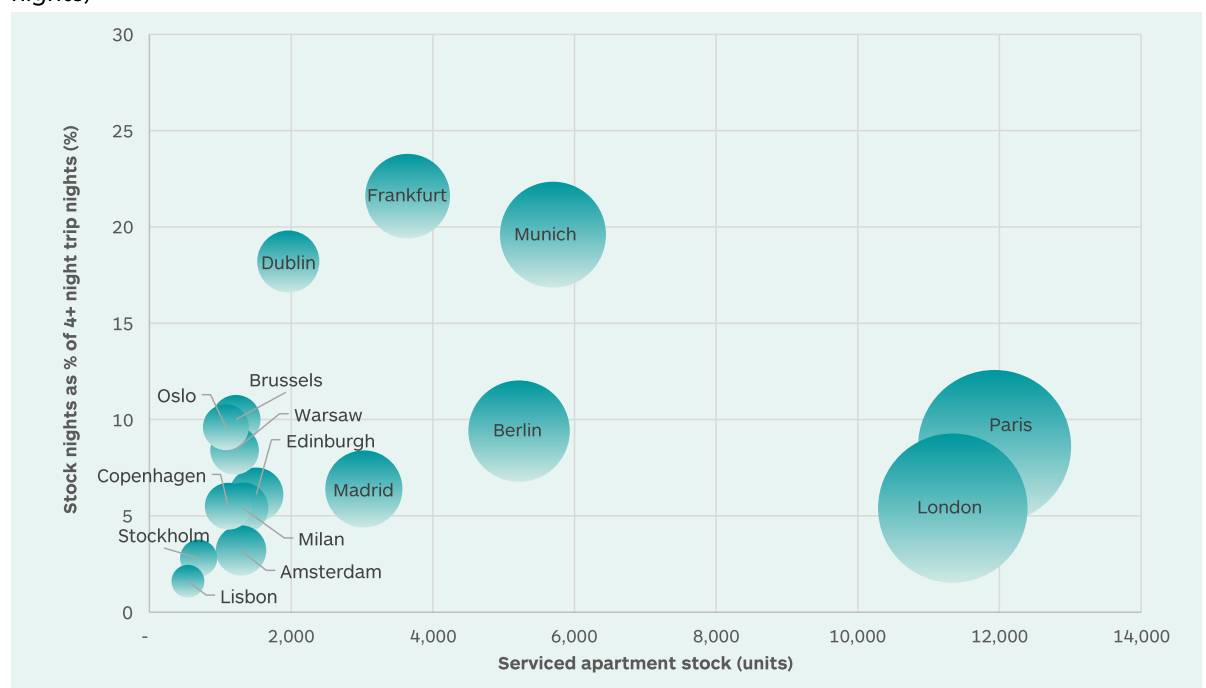
⁶¹ Apartmentservice: Marktreportzahlen 2025. Press release from 15 May 2025

⁶² Zentraler Immobilien Ausschuss e.V. (ZIA): Frühjahrsgutachten Immobilienwirtschaft, 2025

⁶³ Apartmentservice: Marktreportzahlen 2025. Press release from 15 May 2025

forecast to experience particularly strong market growth. Based on the current pipeline, which includes projects under construction or in the final planning phase that are scheduled for completion by 2028, London is likely to soon overtake its counterpart in France as Europe's largest serviced apartment market. An expected 21 % growth in supply should further consolidate the city's position as a European hotspot. Alongside these two major centres, there are several other up-and-coming growth markets in Europe. In Dublin, for example, almost 700 units are in the development pipeline. Based on the relatively low number of units on the market at present, this will lead to a 34 % increase in supply. Supply in Lisbon is also on track to double with over 500 units planned. Despite being smaller markets overall, this increase in supply is significant and indicates strong growth potential.⁶⁴

Extended stay stock nights as a percentage of total nights in commercial accommodation (trips of 4+ nights)



Source: Savills Research, Eurostat, NORD/LB Sector Strategy Real Estate
 *size of bubble reflects size of total stock

Despite strong growth in some cities, serviced apartments still only account for a small share of the total European hotel and accommodation sector. In the largest European cities, serviced apartments cover only 6.1 % of the total accommodation supply on average. This also highlights the segment's considerable development potential. Paris and Frankfurt lead the way with shares of 11.6 % and 12.1 % respectively, while in London serviced apartments account for only 7 % of the total accommodation supply. Even in Lisbon, where supply is set to double, the market share is only expected to rise to 2%. The market potential for serviced apartments becomes particularly evident when looking at the latest figures for international travellers who book stays of more than four nights. The analysis reveals that many markets remain relatively underserved. In cities such as Lisbon and Stockholm, serviced apartments account for just 1.6 % and 2.8 % of demand for long-term stays respectively (see chart). Even in established markets such as Paris and London, there is still a noticeable supply deficit. Cities such as Frankfurt, Munich, and

⁶⁴ Savills: Serviced Apartments: Weiterhin auf Wachstumskurs. Blog post from 2 December 2024

Dublin may have larger inventories, but they nevertheless offer additional expansion potential due to their low market share and specific demand profile.⁶⁵

In 2023, the European transaction volume for serviced apartments was almost EUR 700 million, or 4.7 % of the total transaction volume for the hotel and accommodation sector. Increased consumer awareness, the rise of digital nomads working remotely thanks to modern technology and crack downs on Airbnb in some markets, including regulations to prevent regular living spaces being permanently used as Airbnbs, will continue to help fuel demand for serviced apartments and their operational performance. Investment activity is likely to gain momentum in the coming months, supported by growing supply and sustained investor interest. Global hotel groups such as Hilton and Marriott plan to push ahead with the introduction of extended stay concepts, which will contribute to the further establishment of the sector. The boundaries between co-living and student accommodation are expected to become increasingly blurred, even though growth will likely continue to be driven primarily by specialised extended-stay operators and -brands.⁶⁶

Senior living with services

Requirements placed on housing rising

Demographic change has fuelled strong growth in the market for senior housing. Alongside senior living with services, a variety of terms and concepts have developed, ranging from assisted living to care homes. However, this makes transparency difficult and poses its own unique set of challenges. The terms, some of which are used interchangeably, often fail to adequately differentiate between the different types of senior housing available, making it difficult for potential residents, their relatives and investors to navigate the available options. In order to better distinguish between the various options available, the different types of housing for the elderly have been categorised. Four sub-segments were identified in a study conducted by Care Invest in 2024, namely senior-friendly living, senior living with services, assisted living and inpatient care facilities. These living concepts are distinguished by the different levels of care provided. Senior living with services falls between completely independent living in a senior-friendly apartment without care services and provider-managed forms of living such as outpatient care communities or inpatient care facilities.⁶⁷ However, a review of existing housing options for older adults reveals a lack of clear legal distinction between different living arrangements. Only certification according to the DIN 77800 standard “Quality requirements for providers of serviced apartments for the elderly” published in December 2024 provides guidance with regard to the requirements applicable to service living for seniors and offers a certain degree of transparency.⁶⁸ The aim is to define minimum standards, create transparency and contribute to (voluntary) quality assurance in the process. The DIN 77800 standard defines senior living with services as *“a service profile for elderly people living in barrier-free apartments and residential complexes, comprising basic services/general services and optional services/additional services.”* In contrast to nursing homes, senior living with services supports *“independent and self-determined housekeeping and living”* as well as *“integration into the social structures of the residential community and the living environment.”*⁶⁹ However, this service standard has no legally

⁶⁵ Savills: Serviced Apartments: Weiterhin auf Wachstumskurs. Blog post from 2 December 2024

⁶⁶ Savills Research: European Serviced Apartments 2024: Investor interest surges as the lines between hospitality and residential blur

⁶⁷ CARE INVEST: Endlich Klarheit in der Asset-Klasse Senior Living, 2024

⁶⁸ <https://www.bfb-barrierefrei-bauen.de/din-77800-servicewohnen#>, accessed on 26 June 2025

⁶⁹ *ibid.*

binding relevance and, in conjunction with DIN 18040,⁷⁰ generally refers to senior-friendly, barrier-free living with optional services. DIN 77800 does not specify any structural requirements, but does call for comprehensive accessibility. Both the apartments and the communal areas must comply with the requirements of the current accessibility standards in place at the time of their construction. This also applies to entrances, outdoor facilities and open spaces, access to car parks and waste bins. In garden areas, a walkway including seating must be designed to be barrier-free.⁷¹

Senior living with services has therefore established itself as a concept that goes beyond nursing care, offering independent living combined with an individually tailored level of support in old age. Today's generation of senior citizens has individual requirements and, in the best case scenario, make conscious decisions about how they want to live. People aged 65 and over are in better health than they were a few decades ago, meaning that the number of fit and active years of life is on the rise. The purchasing power of senior citizens is likewise increasing, which is being reinforced by the baby boomer generation entering retirement age. A cities in particular are hotspots for seniors with purchasing power far above the average.⁷² As a result of this increase in time and financial resources, seniors have higher expectations for their living environment in old age. They want to live independently, but in an age-appropriate way. Comfort, quality of life and community play an essential role in this. They do not want to be "looked after," but rather expect to be able to take advantage of certain services and live in a social environment. This need is being met by the serviced apartments offer available to senior citizens. A designated contact person is usually available on site at least once a week to provide advice and arrange services. Senior living with services complexes also often feature communal areas such as a lobby or café, as well as nursing services in the immediate vicinity – often with a view to creating a sense of community to improve the quality of life for seniors. Further services to enhance quality of life are also often available as optional extras. Senior living with services therefore represent independent living with added security and comfort thanks to a range of services.⁷³

Costs exceed those for traditional rental accommodation

Unlike traditional care homes, senior living with services is not subject to the strict requirements of the German Home Construction Act. Requirements concerning minimum sizes for private living spaces or shared rooms, barrier-free access to sanitary facilities or quotas for single rooms therefore do not apply. As a rule, a tenancy agreement is concluded for the apartment. A separate service contract that covers services such as cleaning, catering and emergency call services is also often concluded. Generally speaking, at least one part-time concierge service is available or an outpatient service is located in the adjacent building, which provides advice and assistance with arranging additional services. The quality and scope of the services included in the service fee vary greatly. The spectrum ranges from simple forms of accommodation with basic services and low fees to exclusive options complete with facilities and services on a par with a 4 or 5-star hotel. At the upper end of this range are premium residences for senior citizens, which often feature spacious communal areas, including wellness areas with a pool and sauna, as well as an upscale restaurant. As in a hotel, caretakers are available on site around the clock.⁷⁴ Rental costs are sometimes quoted as an all-inclusive price, but more often they are broken down transparently into basic rent, bills and a service fee. Basic rents for service living for seniors are generally higher than the local comparative rents. A market-standard surcharge of between 10 % and 30 %⁷⁵ is assumed as a

⁷⁰ The DIN 18040 standard is the basic standard for barrier-free construction and planning in Germany.

⁷¹ <https://www.bfb-barrierefrei-bauen.de/din-77800-servicewohnen#>, accessed on 26 June 2025

⁷² bulwiengesa: Mietkostenbelastung der Senioren in deutschen Städten (Alte BL), 2023

⁷³ CARE INVEST: Endlich Klarheit in der Asset-Klasse Senior Living, 2024

⁷⁴ CBRE: Modernes Wohnen: Neue Wohnkonzepte erobern die deutschen Metropolen, September 2023

⁷⁵ Excluding basic (0- to 1-star segment) and premium (5-star segment) serviced apartment complexes

benchmark, depending on the operator’s concept and equipment standards. However, practice shows that there are significant deviations here, as confirmed in an analysis conducted by bulwiengesa. It can be assumed that landlords and operators typically base their rent pricing on standard rents for the product rather than on the local rent level, as shown by the sometimes significant deviations in price within A cities and between B to D cities. The product-specific surcharge on the basic rent for senior living, plus the mandatory monthly service fee, which varies depending on the scope of services, make the cost of senior living with services significantly more expensive than traditional rental housing.⁷⁶

Overview of the features of senior living with services

Location	Widely distributed across urban and peripheral locations
Apartment sizes	Usually 30-70 m²; premium offers also include larger apartments
Rental concept	All-inclusive rent or broken down into basic rent, additional costs and service fee
Spaces/Services	Depending on the quality level: concierge, common room, consulting services, wellness areas with pool, restaurant
Operators/Concepts	Non-profit providers (AWO, DRK), church providers (diaconia, Johanniter), private nursing home operators (Alloheim, Victor’s Group, Korian), premium providers (Augustinum, Rosenhof, Tertianum)

Source: CBRE, NORD/LB Sector Strategy Real Estate

High and rising demand with limited supply across Europe

Senior living with services has enormous growth potential. Demand for housing adapted to living situations is transforming in both quantitative and qualitative terms. In addition to societal ageing, this development is being driven by changing lifestyles and attitudes, as well as family structures (singularisation, childlessness, reduced family support potential), housing preferences, willingness to relocate and economic opportunities. To cope with rising demand, attractive, age-appropriate living space is required. The supply of barrier-free housing remains insufficient. The long-standing shortage of land, the reluctance of local authorities to release plots for construction and the drastic rise in construction costs are hindering the development of suitable housing for senior citizens. The new federal government’s ongoing goal of 400,000 new apartments per year, which has never been achieved, only addresses general housing needs and does not adequately consider barrier-free living in new buildings.⁷⁷ Not only in Germany, but also in other European countries, demand is high and the supply of modern, senior-friendly housing is scarce. In Europe, the proportion of people aged 65+ is expected to rise from 21.5 % to 27.0 % between 2024 and 2040, and the proportion of people aged 80+ from 5.8 % to 10.0 %. The need for alternative forms of housing for the elderly is therefore growing across Europe.⁷⁸ Attractive investment locations are cropping up as the result of a combination of societal ageing, the maturity of the respective housing markets and the private wealth of the ageing population. Both the population of Germany and other European countries, such as France and England, enjoy high average net wealth in retirement, ensuring strong purchasing power and opening up favourable entry opportunities for both investors and operators.⁷⁹ Against this backdrop, senior living with services in an ageing society is flourishing into a dynamic growth segment within the modern living asset class.

⁷⁶ bulwiengesa: Mietkostenbelastung der Senioren in deutschen Städten (Alte BL), 2023
⁷⁷ CARE INVEST: Endlich Klarheit in der Asset-Klasse Senior Living, 2024; Union Investment: Servicewohnen für Senioren, 2021
⁷⁸ https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Population_structure_and_ageing#Past_and_future_population_ageing_trends_in_the_EU, accessed on 8 August 2025
⁷⁹ Real I.S. Research: Wohnen, wie es zu dir passt – Flexibilität ist Trumpf, January 2025

Conclusion and outlook

Growing demand for modern living options in Germany is no coincidence. It comes as the result of far-reaching social and economic transformation processes. Urbanisation, demographic change and changing lifestyles mean that people are increasingly living alone, are mobile and prefer flexible living solutions. Demand for service-oriented temporary living is on the rise, especially in metropolitan areas and university towns among students, professionals, commuters, and expats, for example. Tourism is also reinforcing this trend. At the same time, as society ages, there is a growing need for barrier-free, comfortable housing for senior citizens.

Modern forms of living such as student housing, co-living, micro living and senior living with services offer tailor-made solutions for different target groups. They combine compact floor plans with digital infrastructure and needs-based services. Operator concepts with all-inclusive rents offer transparency and efficiency. As a supplement to the traditional housing market, they make an important contribution to relieving pressure on urban housing systems and have gained a foothold as a forward-looking asset class – both for tenants and investors. The increasing involvement of domestic and international investors is particularly evident in Germany's Top 7 markets and university towns, where demand for modern living solutions is particularly high. Despite a temporary decline in transaction volumes owing to higher financing costs and a lack of supply, the segment remains attractive – not least due to high rental yields and minimal regulatory intervention. Rent prices continue to exhibit strong growth, particularly in student housing, although affordability must not be overlooked. ESG criteria and platform solutions are gaining relevance, while the market is becoming increasingly professionalised through consolidation and M&A transactions. The transaction market is expected to pick up in the second half of 2025, accompanied by a stable yield premium compared to traditional residential properties. In the long term, modern living is likely to establish itself as an integral part of institutional investment strategies.

Based on the key target groups calling for modern living options, three key submarkets that offer considerable development potential have emerged: student housing, serviced apartments and senior living with services.

// The German **PBSA segment** offers impressive long-term market potential. The demand for high-quality, flexible housing solutions for students is continuously growing, fuelled by the increasing number of international students and structural bottlenecks on the private rental housing market. At present, only around 12 % of students live in accommodation specifically tailored to their needs. Supply is simply unable to keep pace with demand, neither in Germany nor throughout Europe. Germany is expected to have a supply gap of around 705,000 beds by 2030. As public providers such as *Studierendenwerke* are unable to meet demand, private players are becoming increasingly prominent. Flexible plug & play concepts with digital services and short rental periods are likewise gaining popularity. At the same time, the project development market is under pressure from increased capital and construction costs, with many new projects involving subsidised components as a result. Rents are rising, waiting lists are growing and the supply rate remains low. There is also considerable investment potential across Europe, with a supply gap of around 3.2 million beds. While the British market is already considered mature, Germany is one of the most important growth markets in Europe due to its high unmet demand – offering attractive returns and diversification opportunities for investors.

// The market for **serviced apartments** is also proving to be a strong growth segment characterised by high resilience and future potential. Driven by megatrends such as urbanisation, mobility and digitalisation, the hybrid utilisation structure makes it possible to flexibly adapt to the needs of different target groups. High occupancy rates and rising ADR values underscore the economic appeal of this segment, particularly in A cities such as Berlin, Munich and Hamburg. At the same time, B to D locations offer further investment potential. The increasing competition with traditional hotels and its role as a solution in tight housing markets underscore the relevance of this segment. Despite positive developments, supply remains underrepresented across Europe, with Paris and London representing the leading markets. Increasing regulation of platforms such as Airbnb and the growing interest of global hotel groups in extended-stay concepts are likely to further fuel demand. Serviced apartments are therefore positioning themselves as a sustainable, economically attractive and versatile form of accommodation with high investor interest.

// **Senior living with services** has established itself as an independent form of living that strikes a fine balance between independent living and inpatient care. It offers older people a high degree of self-determination while also providing individual optional support services. Increasing singularisation, rising life expectancy and the growing purchasing power potential of the 65+ generation are leading to steadily growing demand for comfortable, barrier-free and socially integrated housing options. The variety of concepts and the wide range of services can often make it difficult for residents and investors to navigate the available options. Despite growing market segments, there is still a lack of clear legal definitions and comprehensive offerings. However, the DIN 77800 standard is providing initial transparency standards. Against the backdrop of demographic change and the limited availability of suitable properties, senior living with services is developing into a dynamic growth market with great investment potential – both in Germany and throughout Europe.

A balanced regulatory framework is needed to enable the submarkets to reach their full potential. By contrast, excessive intervention – such as blanket rent caps or restrictive building regulations – could stifle innovation and urgently needed investment. This highlights the importance of maintaining a continuous, constructive dialogue between politicians and the industry. ESG-oriented investors can play a pioneering role in this regard by implementing sustainable, socially responsible projects and actively participating in political processes. Politicians should ideally work closely with private players, especially in university towns where there is huge demand for affordable student housing. Only by coming up with joint strategies can we fill supply gaps, achieve social goals and keep the investment environment attractive. Housing has become the biggest asset class in Europe and is likely to keep drawing a lot of investor interest.⁸⁰ The focus of institutional investors is increasingly expanding beyond the traditional multi-family segment to include modern living solutions. A recent survey of European residential real estate investors conducted by Cushman & Wakefield found that four out of five respondents plan to significantly increase their allocations in this segment over the next five years with a particular focus on student accommodation and the private rental sector.⁸¹ The main arguments in favour of investing in modern living are the stable demand, the high adaptability of the concepts and the opportunity to diversify portfolios. Digital infrastructure, short lease terms and flexible utilisation options make this asset class particularly interesting, both in economically challenging times and against the backdrop of the long-term trends outlined above. Modern living concepts are no longer a niche product; they are a strategic component of future-oriented real estate portfolios.

⁸⁰ CBRE Research: Real Estate Market Outlook 2025 – Europe

⁸¹ Cushman & Wakefield 2025: European Living Survey 2025

Appendix

Contacts at NORD/LB



Dr Martina Noß
Head of Research/Economics
+49 511 361 - 2008
+49 172 512 2742
martina.noss@nordlb.de



Claudia Drangmeister
Sector Research Real Estate
+49 511 361 - 6564
+49 172 451 6503
claudia.drangmeister@nordlb.de



Julia Müller-Siekmann
Sector Research Real Estate
+49 511 361 - 5375
+49 174 189 7790
julia.mueller-siekmann@nordlb.de

Additional contacts at Deutsche Hypo – NORD/LB Real Estate Finance:

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Ingo Martin

Bank Director

Head of Real Estate Finance

Origination

+49 511 361-2217

+49 172 140 2847

ingo.martin@deutsche-hypo.de

Nicole Bölscher

Head of Valuation Management

+49 511 361 - 8790

+49 174 319 1927

nicole.boelscher@nordlb.de

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