German PBSA
Market Perspectives 2026

Redefining a Growing Segment

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Research
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German PBSA in 2026: The key topics

01 Supply & Demand Fundamentals

International students drive structural growth despite development pause

Student enrolment in Germany reached 2.88 million for winter semester 2025/2026, representing modest growth of +0.4%. International students now represent 30% of first-year students. This cohort's specific housing needs—navigating language barriers, requiring furnished plug-and-play solutions, and overcoming lack of access to traditional rental markets—make them the primary growth driver for PBSA demand.

Germany's private PBSA segment experienced significant expansion between 2019 and 2022, but growth stalled completely from 2022 to 2025 due to the Covid crisis, interest rate shock, and broader construction challenges. Following this hiatus, PBSA now dominates the current pipeline across Germany's Big 7 cities.

Find out more →

02 Operational Performance

From rental growth to operational efficiency

Following years of robust rental growth, PBSA rent increases have moderated. Average rents across the Big 7 cities reached €988 per month in summer 2026, maintaining a €200-400 premium over shared apartments, though city-level performance diverges significantly. As rent-driven growth slows, improving operational efficiency and reducing cost leakage have become critical performance drivers.

Since PBSA operators use all-inclusive rent structures, any reduction in operating expenditure directly enhances NOI. Smart technology for consumption management presents significant opportunity: UK evidence shows AI-driven heating controls that require minimal capital investment can reduce operating costs by approximately 7%, translating to €233 savings per bed annually.

Find out more →

03 Investment Market

Portfolio deals signal maturity as yields stabilize

The German PBSA investment market has operated at low volumes in recent years, with transactions between 2022-2025 constrained by reduced development pipelines. However, the sector is now transitioning from predominantly forward-funded development deals to portfolio transactions. The first half of 2026 recorded nearly €200 million in volume, with approximately €400 million in asset deals in process and portfolio transactions totalling around €2 billion in advanced negotiations or pre-marketing.

Quality PBSA properties across Germany's Big 7 cities currently trade at net initial yields of 4.1-4.4% for well-located assets. Notably, the yield spread between PBSA and prime residential has compressed by 40-45 basis points since 2021, narrowing from 120-130 bps to the current 75-85 bps range.

Find out more →

German PBSA in the segment of directly operated concepts

Residential concepts: Residential lease agreement[1]

Public PBSA	Exclusive for students	***Studierendenwerke*** State-run, non-profit organizations that fulfil public functions in providing economic, social, health and cultural support to students enrolled at all German higher education institutions. They are organized on a local level, with each Studierendenwerke covering several universities within a city.	**Typical amenities** • Half communal kitchens and half single rooms with kitchenette • Laundry facilities • Bicycle parking • Shared indoor and outdoor lounge areas	level of amenitisation: ***Basic***
Private PBSA	Exclusive for students	***Subsidized housing*** Subsidies have been used in the construction, which include subsequent occupancy and rent commitments. Belong to the affordable housing sector ***The non-profit Ops*** No legal rent restrictions, but affordable housing focus due to non-profit operators such as foundations, church run organisations, etc.	**Typical amenities** • Half communal kitchens and half single rooms with kitchenette • Laundry facilities • Bicycle parking • Shared indoor and outdoor lounge areas • Partly with communal study rooms	level of amenitisation: ***Basic - Advanced***
	Not exclusive for students	***The Hybrids*** Hybrid concepts target students, trainees, professionals, and expats. Properties primarily serving students are classified as private PBSA with hybrid utilization. Fluid transition to co-living, differing mainly in primary target group.	**Typical amenities** • Mostly single rooms with kitchenette • Automatic washing machines • Shared indoor and outdoor lounge areas • Media areas (gaming and/or cinema) • Cleaning service, Gym and fitness facilities • 24/7 on-site team with high level of security	level of amenitisation: ***Advance - Premium***

Commercial concepts: Hospitality lease agreement[2]

Coliving	Serviced Apartments	Aparthotels

Source: JLL EMEA Living Research 2026. (1) Duration of stay: Min. 6 months up to unlimited contracts (2) Duration of stay: 1 night, up to 6 months, VAT

01

Supply & Demand Fundamentals

German student enrollment: Modest growth masks structural shifts

Student Enrollment Dynamics: Growth Moderates Amid Demographic Headwinds: Student enrollment figures in Germany are heavily influenced by demographic trends, with recent data revealing a nuanced picture of modest growth and shifting student cohorts.

Overall Enrollment and First-Year Student Trends: According to preliminary data from destatis, a total of 2.88 million students were enrolled in German higher education institutions for the winter semester 2025/2026. This represents a marginal increase of 0.4% (or 12,800 students) compared to the previous winter semester. However, this growth is not uniform across types of universities. While Universities of Applied Sciences saw a robust increase of +2.1% to 1.11 million students, traditional universities experienced a slight decline of -0.6% to 1.67 million students.

Looking at the pipeline of new students, the 2025 academic year saw 491,700 first-time students, marking a +0.3% increase from 2024. This is the fourth consecutive year of growth in first-year matriculations, though the pace of this growth has moderated significantly compared to the 1.7% increase seen in 2024. A key factor influencing these trends is the shrinking pool of domestic university entrants. In 2025, the number of students in Germany who obtained university entrance qualifications fell by a significant -8% to 341,700 in total. The decline is however almost exclusively attributable to a one-off structural effect in Bavaria.[1]

The Rising Importance of International Students: Despite the decline in the domestic student pool, the slight overall increase in first-year students since 2022 underscores a critical trend: the German higher education system is increasingly reliant on international students. This cohort has been the primary driver of growth in new student numbers. In 2024, international students accounted for approximately 145,000 first-year students, representing a substantial 30% of the entire first-year cohort. This is a significant increase from their 19% share in 2004 and well above their ~17% (~12% on total in 2004) share of the total student body.

2.9m
Students[2] in Winter term 2025

16.3%
Share of Internationals[2] Winter term 2025

411k
Starting students[2] in winter term 2024

+1.7%
Starting students[2] in winter term 2024 (YoY)

10.1%
Provision rate[3] public PBSA FY2025

95%
Occupancy rate[4] Winter term 2025

Note : (1) the phasing out of the eight-year high school curriculum (G8), which resulted in an incomplete graduating cohort. When excluding Bavaria, the decline in the number of university-eligible students across all other federal states was a much more modest 0.7%. (2) Source: destatis 2026; (3) Source: DWS, note: the source uses a more limited number of students, e.g. excluding number of students in private universities. (4) Source: Micro Living Initiative 2026.

International students: Primary growth driver for Germany's PBSA sector

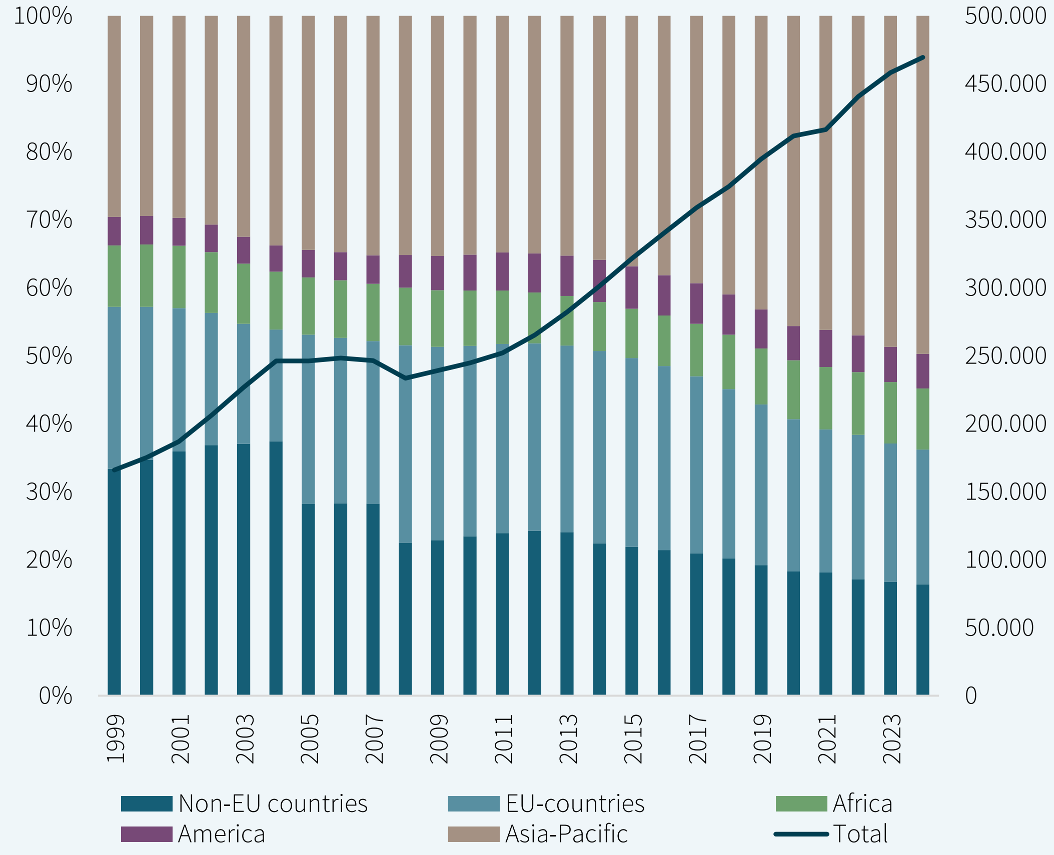
The rising proportion of international students in Germany has significant implications for student housing demand, both quantitatively and qualitatively. International students generate disproportionately high demand because, unlike domestic students who may live at home during their search, this cohort requires immediate housing from day one. They also face substantial barriers in the PRS, as rental contracts and communication are predominantly in German, essential documents such as *SCHUFA* records or local guarantors are unavailable, and the dominance of unfurnished stock presents logistical and financial challenges for temporary stays. With publicly subsidized halls (*Studierendenwerke*) heavily oversubscribed, this demand flows directly into the private PBSA segment.

More critically, international students drive a qualitative shift towards comprehensive, service-oriented "plug-and-play" living. Key requirements include full furnishing, all-inclusive rents covering utilities and high-speed internet to provide budget certainty and eliminate administrative complexity, and well-designed communal spaces such as lounges, study areas, and gyms alongside organized events that offer essential social connection. Additionally, seamless digital processes including virtual tours, online applications, and contracts in English must be accessible from abroad.

International students exhibit lower price sensitivity for products meeting these needs, which can be attributed to rational reasons. The PBSA premium is offset by the certainty of quality accommodation, elimination of PRS transaction costs such as broker fees, furniture acquisition, and utility setup, and the financial capacity demonstrated through visa requirements. In sum, international students are the primary growth driver for Germany's PBSA sector, validating its service-led, community-centric model and premium positioning.

Number of internationals: steady growth trajectory

Foreign students total (RHS), data refers to Winter Semester of Academic Year



Source: JLL EMEA Living Research, 2026

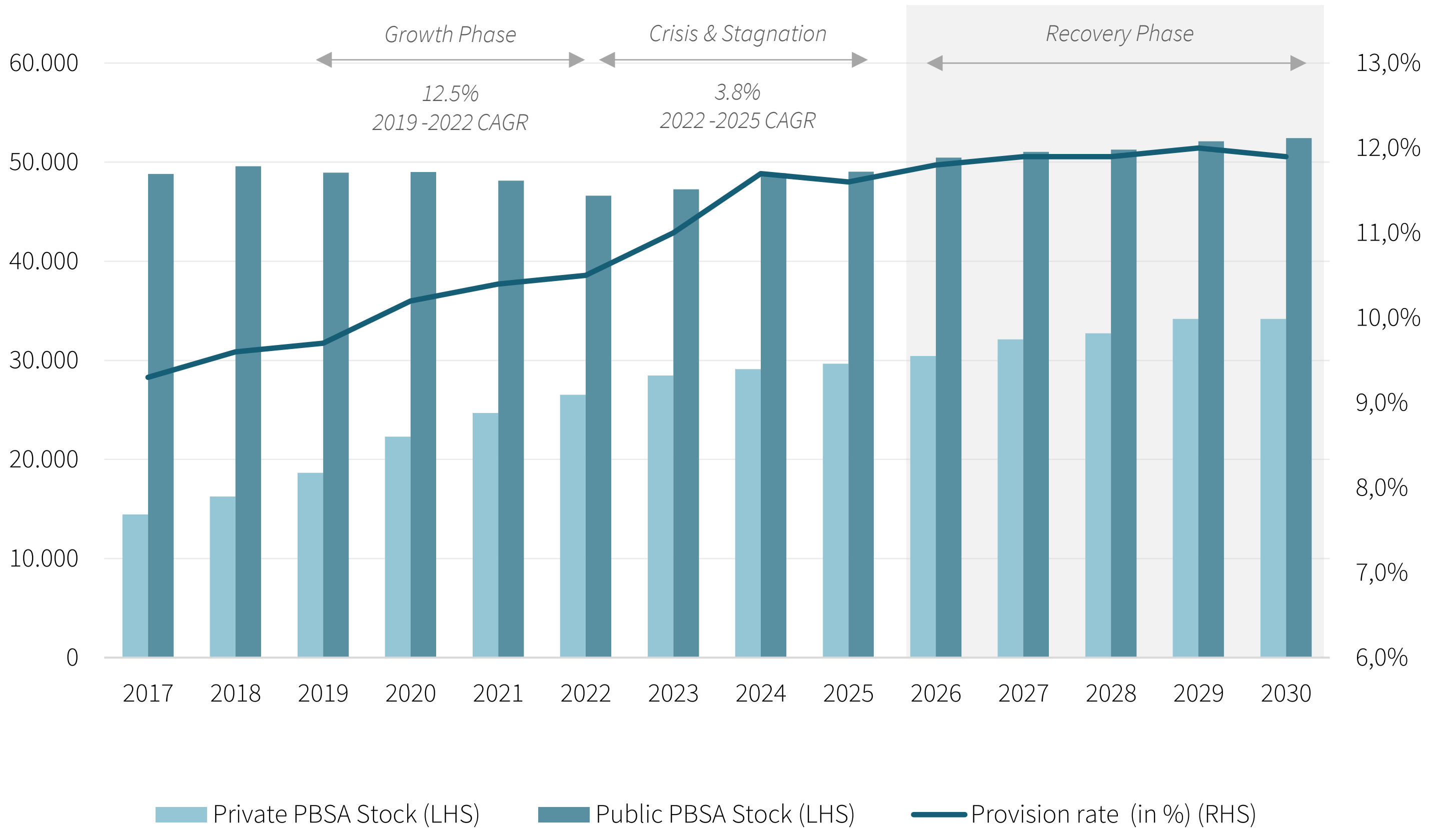
2005 – 2023: Structural supply-demand imbalance drives segment creation
Germany's private PBSA segment developed as public student services organizations failed to expand capacity despite rising demand. Students increasingly struggled to compete for apartments in the private rental sector, while landlords progressively shifted away from shared flat allocations to avoid constant tenant turnover and sublease administration burdens.

2017 – 2022: Strong growth interrupted by multi-year headwinds. Between 2019 and 2022, the private PBSA segment experienced significant expansion in response to these structural drivers. However, growth stalled completely between 2022 and 2025 as the Covid crisis, interest rate shock, and broader residential construction challenges halted new development activity.

2025 - :Structural fundamentals support renewed expansion. Despite the recent pause, underlying drivers—persistent housing scarcity, limited public supply, and concentrated student demand—remain intact, positioning the segment for growth through 2030 as market conditions stabilize.

Private PBSA emerges from structural housing pressures

Germany's Big 7 Cities: PBSA stock in units and Provision rate (2017-2030)



Source: JLL EMEA Living Research 2026, DSW 2025.

Note :- (1) Private PBSA: Purpose-built student accommodation operated by private developers/operators (exclusive and non-exclusive for students). (2) Public PBSA: Beds operated by Studierendenwerke (80-85% of total) and other subsidized accommodation. (3) Provision rate: The proportion of PBSA to the total number of students (JLL total student number). (4) Forecast figures are based on current planned pipeline.

Pipeline strength tempered by execution risks

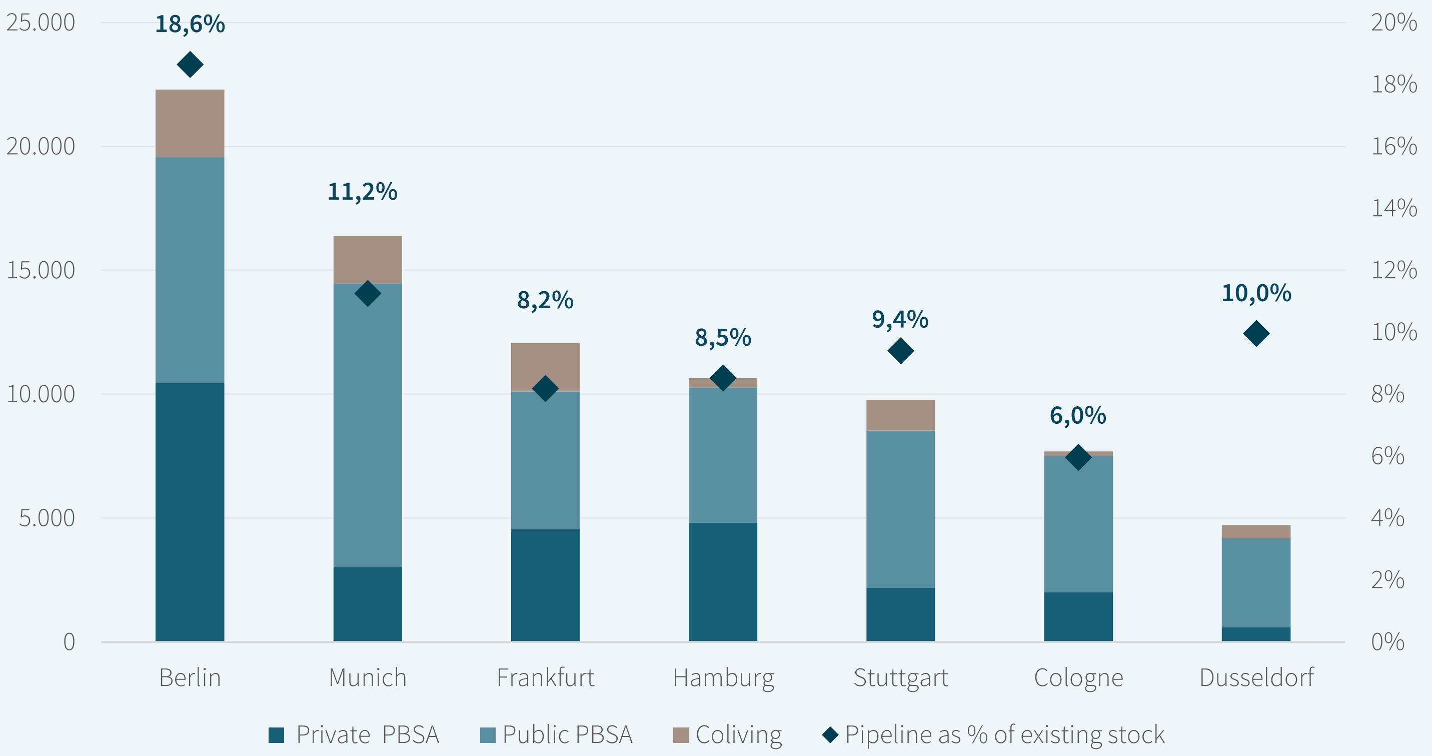
Following the 2022-2025 development hiatus, PBSA now dominates the current pipeline across Germany's Big 7 cities, with the majority of planned schemes scheduled for delivery by 2030. Berlin leads with pipeline intensity at 18.6% of existing stock, followed by Munich and Dusseldorf, reflecting renewed investor confidence in the segment's long-term fundamentals.

Critical uncertainties remain regarding actual realisation rates. The residential construction challenges affecting broader housing markets directly impact PBSA execution. **First, development timelines have extended materially,** with approval-to-completion periods lengthening by 6-12 months compared to pre-pandemic norms. **Second, rising cancellation rates undermine permit statistics** as a reliable forward indicator—an increasing share of permitted projects is being deferred, resized, or cancelled due to unexpected cost increases.

As a result, actual delivery volumes will likely fall below currently announced levels, with new supply concentrated in well-capitalized, prime schemes. This dynamic reinforces near-term supply constraints while supporting income visibility for existing, well-located PBSA assets.

Pipeline intensity varies significantly across major student cities

Germany's Big 7 Cities: Existing units and Pipeline deliveries to 2030



Source: JLL EMEA Living Research 2026, DSW 2025.

Note :- (1) Pipeline: Represents planned deliveries to 2030 as % of total existing stock (Private PBSA + Public PBSA + Coliving combined).

Private PBSA market gaps reveal development potential

The potential for private PBSA is largely determined by the conditions of the general private rented sector (PRS) and the availability of public student housing. Demand is further driven by the proportion of "mobile" students (those who relocate for their studies) and international students, who often rely on specialized accommodation due to unique barriers. The more constrained the general rental market and the lower the supply of public housing, combined with a higher proportion of mobile students, the higher the market's saturation point—that is, the potential target provision rate.

Against this backdrop, Germany's Big 7 cities demonstrate substantial variation in PBSA provision. **Berlin shows the largest development potential** with a gap of 13.2 percentage point(pp) between projected 2030 provision (10.8%) and its target (24.0%), reflecting its status as Germany's largest student market with 158,385 mobile students by 2030. **Cologne follows with a 10.0pp gap**, representing significant opportunity in this secondary market where mobile student concentration remains high at 69.7%.

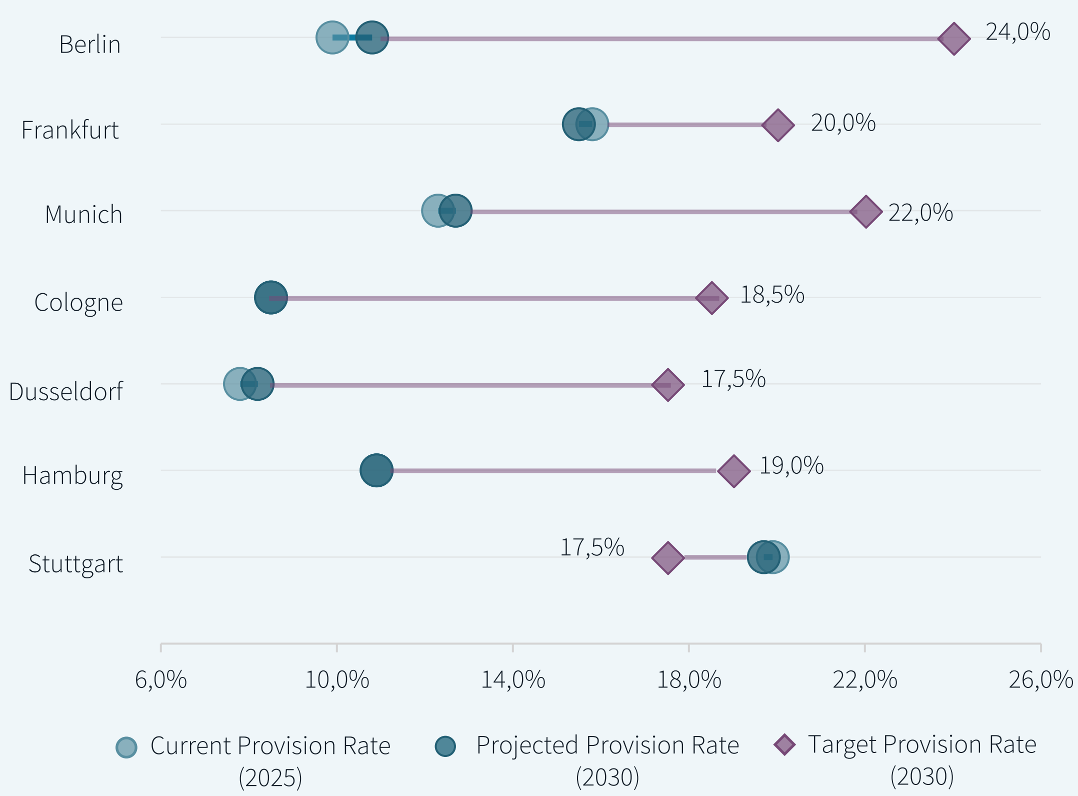
Munich and Dusseldorf present similar opportunities with gaps of 9.3pp each. Munich's high mobile student share (70.7%) drives strong PBSA requirements, though substantial existing public provision (12.7%) partially addresses demand. **Hamburg demonstrates 8.1pp gap**, indicating steady development potential in this established student market. **Frankfurt approaches equilibrium** with provision exceeding target by 4.5pp, suggesting limited room for additional supply.

Stuttgart presents significant oversupply, with current provision 2.2pp above its target of 17.5%. This reflects the city's relatively low mobile student share (52.0%) and substantial existing public provision (25.4%), resulting in oversaturation relative to sustainable demand levels.

Note on Methodology: *Target provision rates are established using European market benchmarking. A-grade cities (Berlin, Munich, Frankfurt) reference mature European capitals and primary markets (20-25% provision), while B-grade cities (Cologne, Hamburg, Dusseldorf, Stuttgart) are benchmarked against secondary European markets (17.5-20%). Targets are adjusted for mobile student share and local housing conditions. The deficit calculation accounts for target provision minus projected total provision in 2030 (both public and private), identifying remaining private market opportunity.*

Target benchmarking highlights key markets through 2030

Germany’s Big 7 cities : Current vs. expected vs. target provision (2030)



Source: JLL EMEA Living Research 2026, DSW 2025.

Note: Provision rate: The proportion of PBSA to the total number of students (JLL total student number).

02

Operational Performance

From Rental Growth to Operational Efficiency

Shifting market dynamics and the path to operational excellence

Following several years of robust rental growth, the pace of rent increases in the PBSA sector has recently moderated. In the preceding period, rental development and rising occupancy rates were the primary drivers of operational performance. This upward rental trajectory was fundamentally driven by increased pressure on the PRS, which progressively limited student access to conventional housing. Consequently, demand for specialised housing units surged, leading to a significant increase in occupancy rates across private PBSA assets, which have since stabilised at these high levels.

The new frontier: AI-driven efficiency

As the sector transitions beyond this phase of rental-led growth, the key to unlocking further operational performance lies in improving operational efficiency and reducing opex leakages. In this context, smart technology for consumption management is particularly noteworthy. Many of these solutions require minimal capital investment yet can be deployed at scale across PBSA portfolios, delivering significant operational benefits.

Fit-out and amenity provision as strategic value drivers

Beyond technological optimisation, an asset's fit-out and amenity provision have emerged as critical value drivers for performance optimisation. Evidence suggests that—particularly in major markets—aligning the fit-out with the characteristics of the micro-location and the identified target demographic has a substantial effect on actual demand. E.g. more eye-catching designs work better in cosmopolitan micro-locations. Furthermore, sustainable demand driven by well-matched amenities fosters strong idiosyncratic identification with the property among residents, establishing community as a key value driver. Current trends in amenity provision, regardless of micro-location adaptation, consistently point toward high to very high amenity standards (e.g. gym, media rooms, among others) as the prevailing market expectation.

Strategic brand positioning

Brand mission is now central to differentiation in the PBSA sector. Consumer research shows students seek housing that embodies value, trendiness, and an aspirational lifestyle. Successful operators foster a sense of belonging and create vibrant spaces for communication. Well-designed apartments and communal areas balance privacy with community, delivering an "at home" feeling from day one.

The tenant journey is streamlined through digital tools like online booking, virtual tours, and automated contracting, creating a frictionless experience for first-time renters. This approach particularly resonates with international students, who show lower price sensitivity when an offer meets their specific needs: securing high-quality housing before arrival; avoiding the transaction costs of the traditional rental market; meeting financial requirements for visa applications; and the guarantee of a secure, professionally managed asset.

Marketing strategies and channel optimisation

Leading operators employ a multi-channel online marketing approach to boost brand visibility, drive targeted traffic and enhance conversion rates. There is particular focus on international students with limited knowledge of the German market who are often willing to pay premium rents. Operators leverage search-engine-optimisation across multiple channels including real estate platforms and social media, with the aim of reducing cost-per-acquisition. Digital advertising uses online data to target students most likely to benefit from private PBSA. The key goal is maximisation of conversion rates by prioritising high-quality prospects and maintaining high click-through-rates.

PBSA rents surge as market tightens

Post-2022 rental dynamics intensify student housing pressures.
Rising capital costs and constrained ownership access channelled significantly more demand into the rental sector, where students—particularly international students—increasingly struggled to compete with working professionals for limited private rental supply.

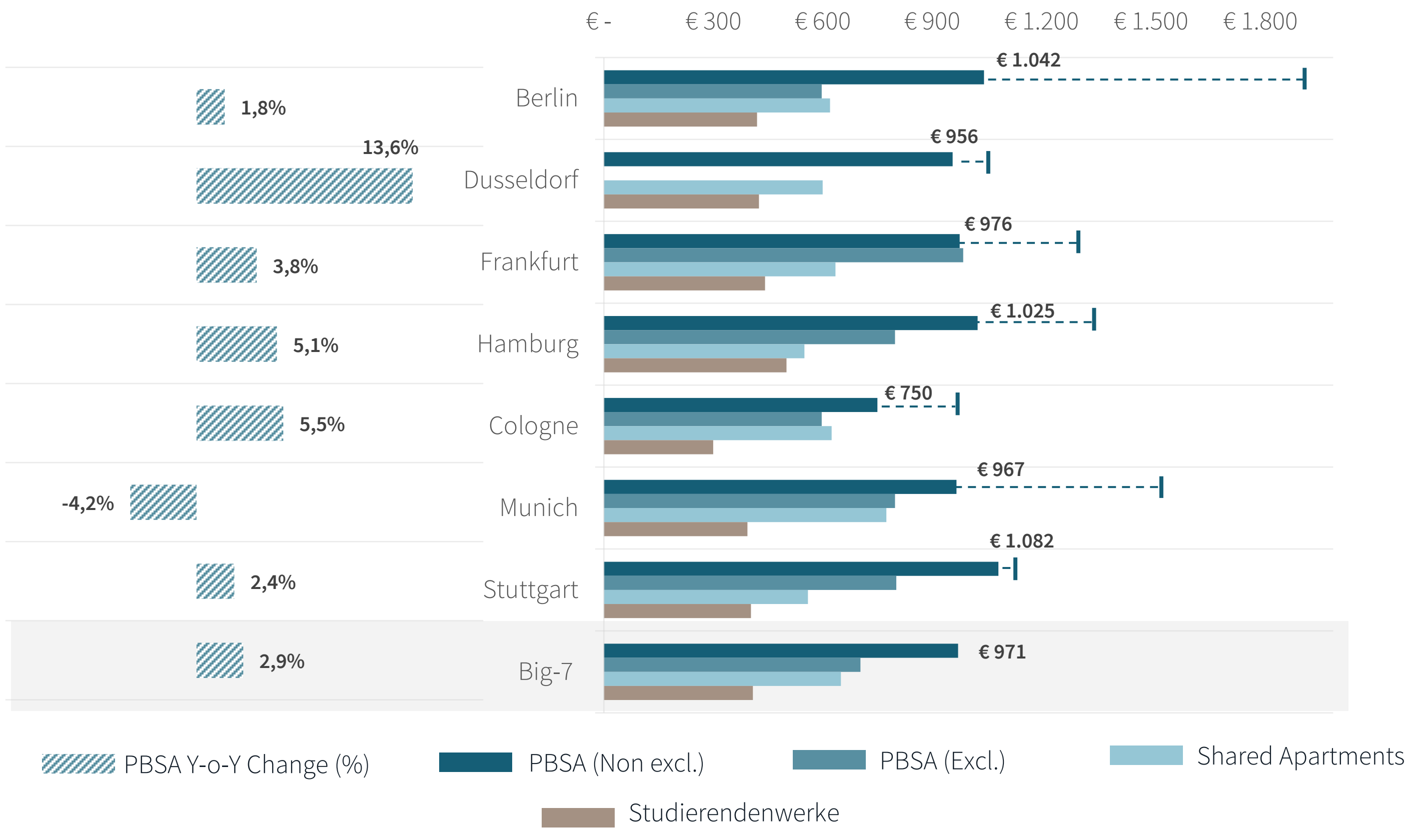
PBSA emerges as essential housing solution.
With occupancy rates exceeding 95% in major university cities, purpose-built accommodation has captured demand that the fragmented PRS cannot efficiently serve, delivering like-for-like rental growth of 4-6% in recent years, though this growth has now moderated somewhat.

City-level rental performance shows strategic divergence.
Dusseldorf (+13.6%), Cologne (+5.5%), and Hamburg (+5.1%) lead PBSA year-on-year rental momentum at +2.9% for the Big 7, while Munich shows rental decline (-4.2%).

Structural rental premium remains compelling.
PBSA maintains a €200-400 monthly premium over shared apartments, reflecting student preference for hassle-free, all-inclusive living with purpose-designed amenities.

Rental levels in the PBSA-related housing segments

Germany's Big 7 Cities: AMRs (all-inclusive monthly rents) by accommodation type (summer term 2026)



Source: JLL EMEA Living Research 2026, DSW 2025.

Note :- (1) Gross warm rents per unit, summer 2026. Unit sizes: Studierendenwerke 12-25m²; PBSA (Excl.) 12-30m²; PBSA (Non-Excl.) 18-50m²; Shared Apartments ~15-25m². (2) YoY change (%) shown applies to PBSA categories only. (3) Dotted lines indicate the upper rental range for PBSA (Non-Excl.)

Breakdown of PBSA-AMRs in summer term 2026

For the summer semester of 2026, all-inclusive monthly rents (AMR) in Germany's Big-7 PBSA markets are most accurately determined by building up from net cold rents in the Private Rental Sector. Given that most PBSA assets are high-quality and recently constructed, new-build rents for one-room apartments serve as the baseline.

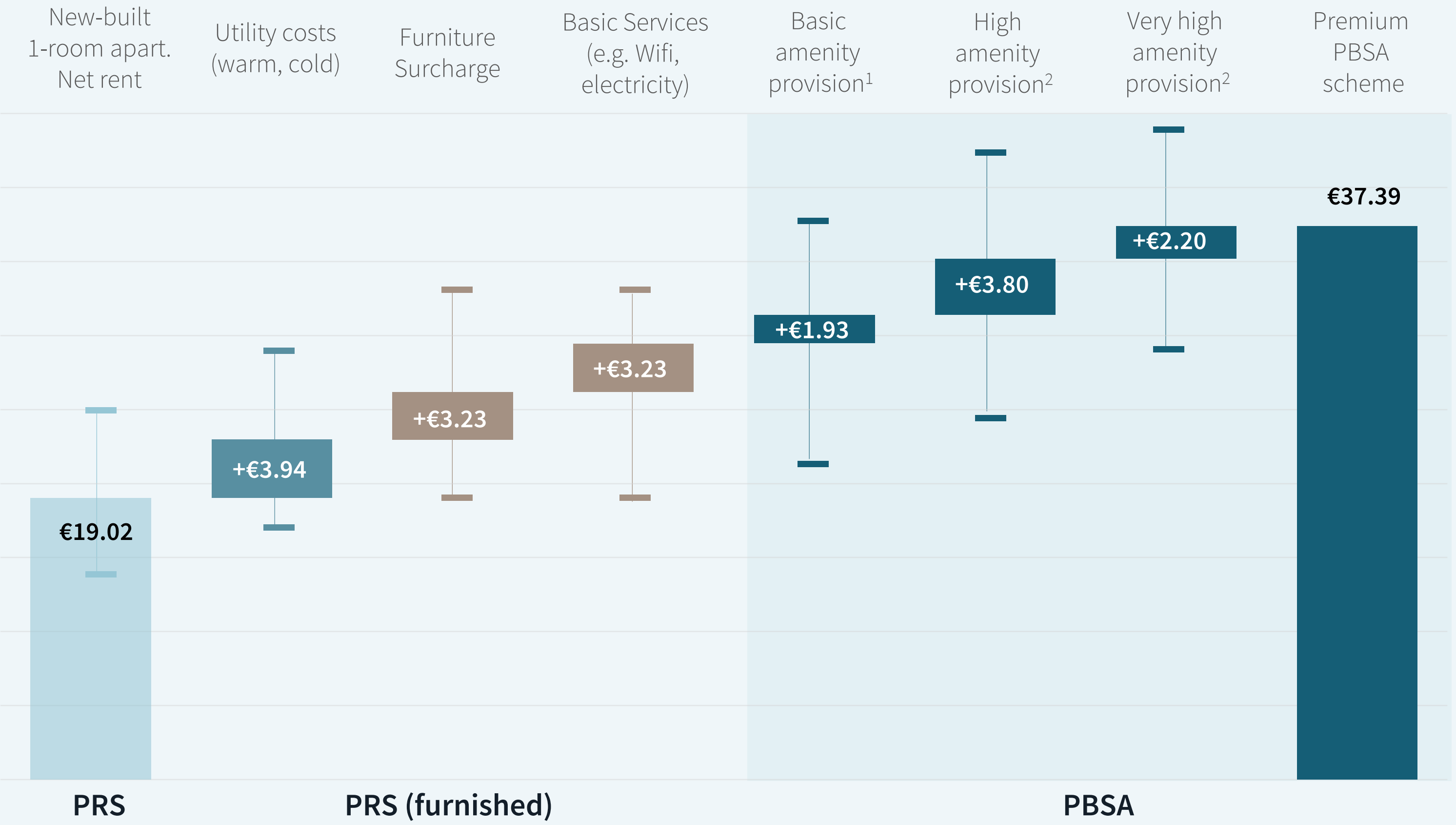
Several components are added to the net cold rent to arrive at the final AMR. Ancillary operating costs (hot and cold) average approximately €4.00/sqm for smaller units. A furnishing premium is then incorporated, typically ranging from €2.40/sqm to €4.27/sqm, though some of this cost can be embedded within amenity surcharges in premium assets.

The final surcharges relate to amenity provision, stratified into three tiers: **'Basic'** (Wi-Fi, electricity, simple common areas), **'High'** (roof terraces, gyms), and **'Very High'** (24/7 on-site staff, multimedia rooms, premium services).

For assets offering 'Very High' amenity provision, the analysis indicates an average **All-Inclusive Rent of €37.39/ sqm** across the Big-7 cities.

The rent ladder: From unfunished PRS to the premium PBSA segment

Rental prices as of summer term in €/sqm/month



Source: JLL EMEA Living Research, 2026; (1) E.g. wifi, electricity, washing machines, simple shared spaces among others, (2), Roof terraces, gym, and other shared spaces (3) 24/7 on-site staff, multimedia rooms among others

Rising Operating Costs, Rising Opportunity: The PBSA Efficiency Incentive

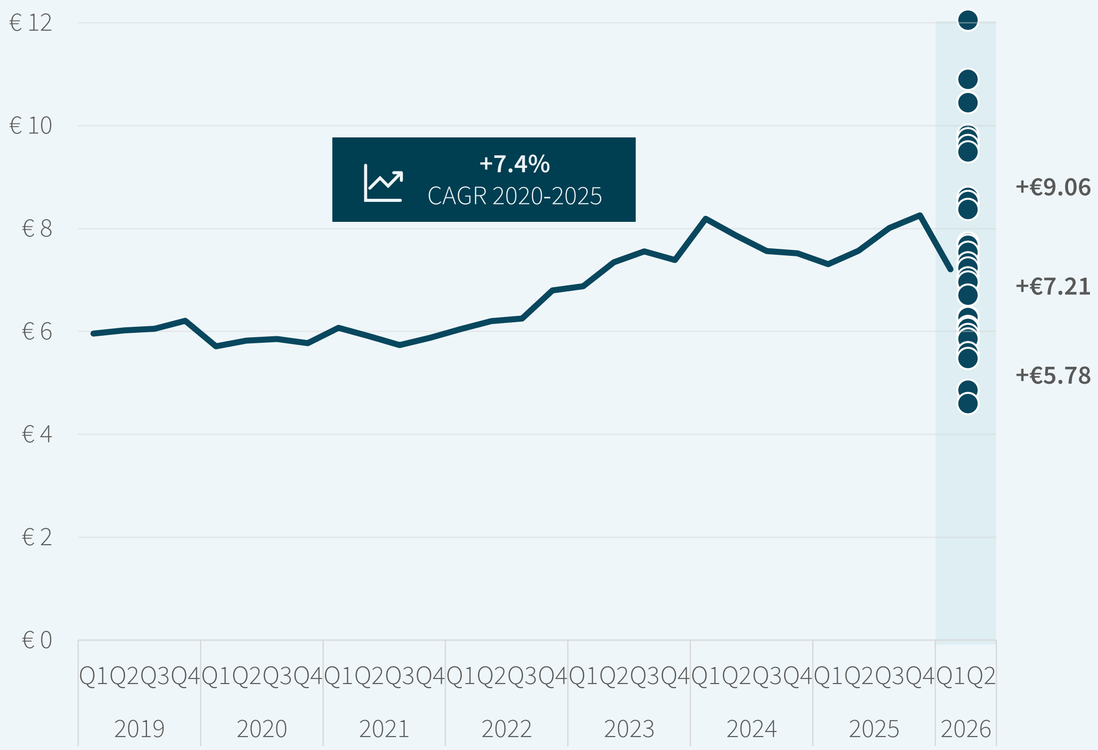
Ancillary costs have experienced a significant surge in the recent past, with a particularly sharp increase between 2022 and 2023 driven by the European energy crisis. Over a five-year period, utility costs (incl. heating, electricity and more) have exhibited a compound annual growth rate (CAGR) of +7.4%, a pace that has notably outstripped the growth of rents.

Data from the summer semester of 2026 provides a clear picture of these consumption-based expenses. These figures encompass not only the standard "cold" and "hot" components but also flat-rate costs for electricity and internet access. On average, these bundled ancillary costs reached €7.21 per square meter, equating to an absolute cost of approximately €140 per month for a typical single-bed room.

Consequently, these costs now represent a much larger proportion of the resident's gross warm rent burden than they did just a few years ago. This development presents a critical strategic opportunity. Within the German PBSA sector, the prevalent use of "Pauschalmiete," or all-inclusive rent, fundamentally shifts the cost risk from the tenant to the operator. Because the operator's rental income is fixed, any reduction in operating expenditure, particularly in volatile energy costs, directly enhances profitability. This structure creates a powerful, built-in incentive for operators to invest in energy efficiency and consumption-reduction technologies, as every euro saved on utilities translates directly into an improved net operating income (NOI).

Over the past few years, utility costs have risen sharply for various reasons

Rental prices (utility costs & basic services[1]) as €/sqm/month



Source: JLL EMEA Living Research, 2026; (1) Wifi-access, electricity, sometimes other basic amenities, e.g. laundry.

Smart buildings, better returns: The AI efficiency case – How the German PBSA segment can learn from other markets

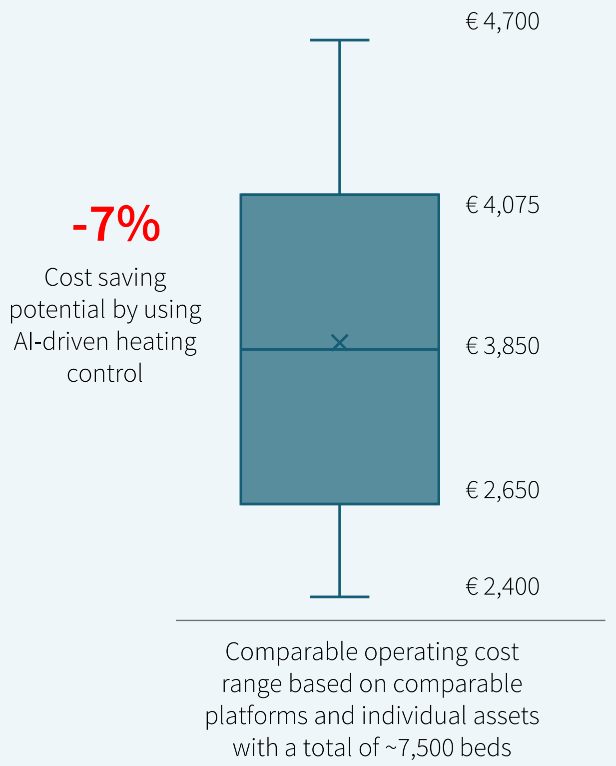
The New Frontier: AI-Driven Efficiency: As the sector transitions beyond this phase of rental-led growth, the key to unlocking further operational performance lies in improving operational efficiency and reducing opex leakages. A significant opportunity emerges in enhancing energy efficiency through AI-driven smart technology. While not yet widespread in the German living sector, this approach holds immense potential specifically for PBSA for several reasons: Density: The high-density nature of these assets means that efficiency gains are amplified across the building. Infrastructure: PBSA schemes typically incorporate more building technology from the outset. Resident Profile: The student demographic is tech-savvy, suggesting lower resistance to the adoption of smart control systems. Evidence for these optimizations can be observed in markets such as the UK.

Evidence from the UK Market: The potential impact is clearly demonstrated by results from other markets. A case study of UK PBSA assets managed by Utopi revealed that in a building utilizing AI-driven controls, the variance in energy use between the most and least consumptive rooms (measured as max/min value ratio) was a factor of 3.2. In a comparable, uncontrolled building, this range skyrocketed to a factor of 9.8, highlighting substantial energy waste that can be mitigated. Particularly noteworthy is that these buildings already held an EPC rating of B, indicating relatively efficient structures – this aspect is especially relevant for the German market, where a large proportion of PBSA stock also comprises newer construction vintages.

The Opportunity for German Operators: For the German market, these findings present a clear and actionable opportunity. A reduction in energy consumption directly lowers ancillary costs. Since these costs are typically bundled into all-inclusive rents (AMR) ("Pauschalmieten") and are not passed through directly to tenants, any savings translate directly to an improved net operating income (NOI) for the operator. Utilities account for approximately one-third of total opex per bed. With improved control systems, heating costs in particular can be reduced, along with a smaller reduction in electricity consumption.

Potential operating cost savings

Operating Expense per bed, Summer 2026, cost saving potential by using simple AI-driven heating controls



03

Investment Market

From development to portfolios: German PBSA reaches market maturity

The PBSA investment market in Germany has largely remained stable at relatively low volume levels in recent years. During this maturation period, the market was predominantly characterised by newer assets and transactions structured as forward deals. Between 2022 and 2025, development activity declined notably, resulting in a reduced pipeline of new product entering the market. This supply constraint has created a structural imbalance, as substantial institutional demand and significant capital have been raised specifically for investments in the alternative living category, including PBSA. However, investors are facing a shortage of appropriately sized product that meets their acquisition criteria, e.g. mid-sized PBSA platforms for market entries.

Following the initial development phase during which the asset class gradually established itself between 2017 and 2022, the first assembled portfolios are now coming to market. This represents an interesting market phase in which transaction volumes could be significantly influenced by larger portfolio deals.

With nearly €200 million in transaction volume, the PBSA market in the first half of 2026 remained well below its potential but nonetheless approached prior-year levels. Currently, significant deal activity is underway: approximately €400 million in asset deals are in process, alongside portfolio transactions totalling around €2 billion across smaller and larger holdings, either in advanced negotiations or pre-marketing stages.

The convergence of high institutional interest with increased market activity through portfolio transactions would mark an important evolution for the sector. Such a development would represent the German PBSA market's progression from an emerging asset class into a fully recognized institutional investment category with deeper liquidity.

Transaction volume in the first half of the year has already reached last year's levels—segment with a strong pipeline

PBSA transaction volume in €m (LHS) and number of deals (RHS)

Source: JLL EMEA Living Research, 2026.

PBSA yield stabilization: Narrowing spreads signal market maturity

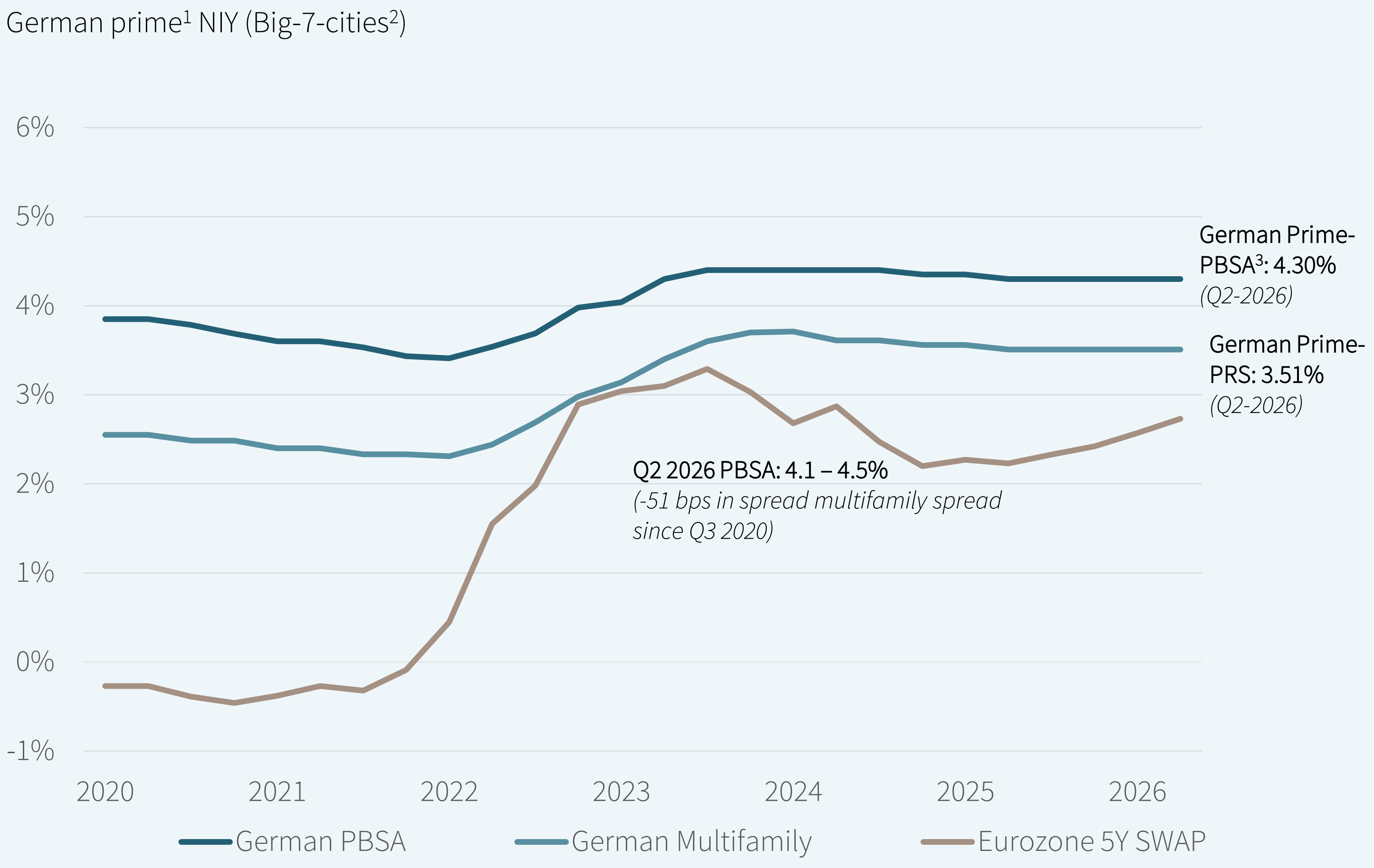
PBSA yields in Germany experienced expansion following interest rate increases beginning in Q2 2022. However, this upward trajectory has stabilised since the start of the 2024/25 academic year, reflecting a sustained investment environment.

Quality PBSA properties across Germany's Big-7-cities and major university towns are currently trading at NOI multiples of 22-24 times. This translates to net initial yields ranging from 4.1% to 4.4% for assets benefiting from favourable macro and micro locations combined with strong physical condition.

A notable trend has emerged in the yield spread between PBSA and prime residential assets. During the yield expansion phase, this spread narrowed considerably from approximately 120-130 basis points in 2021 to the current range of 75-85 basis points as of H1 2026. This compression of 40-45 basis points signals several positive market developments.

The narrowing spread demonstrates growing investor confidence in the PBSA sector and reflects the asset class's increasing maturity within the German real estate market. Improved occupancy rates have strengthened the sector's fundamentals, while both PBSA and prime residential assets have followed similar yield development patterns over the past two years.

German prime[1] NIY (Big-7-cities[2])



Source: JLL EMEA Living Research, 2026

(1) Stabilized net operating income divided by the gross property value including notional transaction costs. Prime object = good micro location, very good property quality; (2) Berlin, Hamburg, Munich, Cologne, Dusseldorf, Frankfurt (Main), and Stuttgart. (3) Prime PBSA includes German Big-7-cities and some additional A-tier cities such as Heidelberg, Freiburg, or Munster.

Outlook

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2

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Market Dynamics: Maturity & consolidation

The German PBSA market is entering a mature phase characterised by institutional capital inflows, portfolio liquidity and a shift from growth to operational excellence. This transition creates opportunities for investors and developers who can execute efficiently and deploy capital in the right locations with appropriate product specifications. The German PBSA landscape offers attractive investment options. Beyond the primary destinations of Berlin, Munich, and Hamburg—which continue to dominate institutional capital flows—markets such as Cologne stand out with significant unmet demand gaps. Equally notable are selected B-tier cities such as Munster, Mainz, or Darmstadt, which also demonstrate high unmet demand. While these markets carry elevated risk profiles compared to top-tier cities they offer superior yield prospects for investors.

Investors: Focus on scale & operational efficiency

As the German PBSA market matures, investors should focus on portfolio acquisition opportunities that offer scale and operational efficiency. Priority should be given to assets demonstrating proven operational performance and sophisticated technology integration, as these deliver stronger risk-adjusted returns.

Going forward, successful investors will demand unit-level NOI transparency and prioritise assets with strong sustainability credentials, as these factors increasingly drive both tenant demand and exit valuations.

Developers: Prioritize prime locations & quality

Developers should concentrate their efforts on prime locations within undersupplied markets where demand fundamentals remain robust. New developments must be designed for high amenity provision to capture the international student premium and compete effectively in an increasingly sophisticated market. Integrating smart building technology from the outset is no longer optional—it is essential for long-term value creation and operational efficiency. Ensuring projects qualify under the "Wohnheimgesetz" provides critical regulatory protection. Building scalable platforms with comprehensive digital tenant journey capabilities will differentiate operators in an evolving landscape. However, developers should exercise caution regarding pipeline realisation timelines and maintain flexibility in capital deployment, as market conditions and construction cycles remain uncertain.

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