Taylor Wessing

Unlocking the Potential of Purpose-Built Student Accommodation (PBSA) in Germany

Meeting the high demand and avoiding legal pitfalls

Germany's Purpose-built student accommodation (PBSA) market is said to be the **most compelling PBSA market** for new investments in EMEA because it has the highest PBSA unmet demand in Europe. The current supply of just 330k beds compares to an estimated unmet demand of 774k.[1] This is ten times higher than the UK, reflecting the relative nascency of the market. According to current research the PBSA market in 43 selected German cities these cities remain undersupplied by the end of 2026.[2]

The imbalance and substantial unmet needs, especially driven by an increasing number of international students, a general housing shortage and a shift towards New-Living-Concepts, is **boosting investor interest**, which is bolstered by robust operating performance and sustainable value growth with yields up to 6 %.[3] Germany is also one of the most favourable states in terms of zoning and post-graduate visa polices.

We as Taylor Wessing's Real Estate practice would be delighted to support you with our market known expertise in this exciting investment opportunity.

- Our Real Estate, Corporate, Finance and Tax teams work seamlessly together to provide solutions to complex corporate structures around investment in all real estate asset classes.
- In addition, we are one of very few international law firms with specialist PBSA lawyers with experience, market knowledge and expertise of the regulatory landscape.
- The close working relationships we hold with some of the biggest brands in the PBSA sector, alongside leading global investors and developers in the market, provides our team with a unique perspective and vital insight when advising clients.

[1] Source: JLL Research 2024 „German PBSA: Investing in the Future", p. 11
[2] Source: BONARD Germany Webinar May 2024.
[3] Source: Savills, Spotlight: European Student Housing 2022 (https://www.savills.com/research_articles/255800/334907-0)

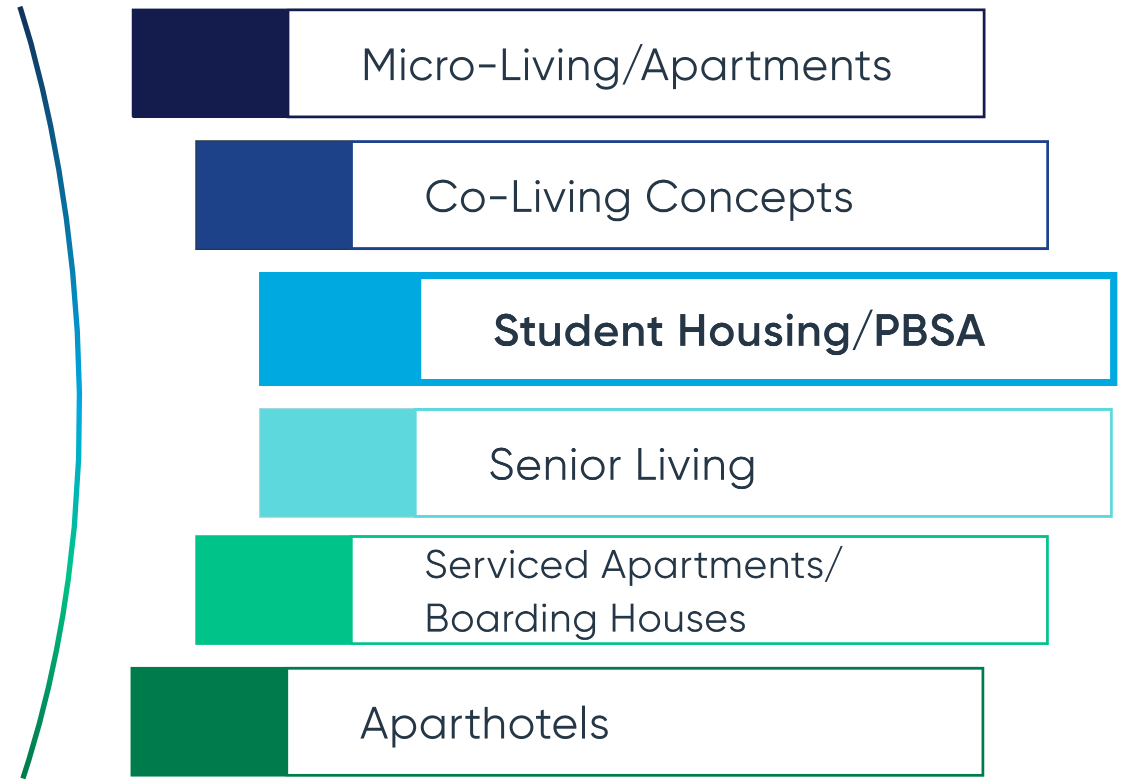
PBSA definition

Purpose-built student accommodation (PBSA) in Germany refers to residentialproperties specifically designed and constructed to meet the housing needs of students. These accommodations can be either state-funded, through student union organizations known as "*Studierendenwerke*" or privately operated.

State-funded PBSAs are non-profit and focus on providing economic, social, health, and cultural support to students across various universities within a city. Private PBSAs may also cater to other groups such as trainees, professionals, expatriates, and international guests, often featuring mixed-use hybrid models such as co-living or micro-living/apartments (see box below). However, they are primarily intended for students who remain the main target group.

New-Living Concepts

Residential use/focus



Commercial use/focus

The current situation in the German PBSA market

Market Challenges

The private rented sector, traditionally the main segment catering to student housing needs in Germany, is now facing unprecedented excess demand due to rising rents and decreasing new completions. This has made it increasingly difficult for students to find affordable housing. Despite this growing demand, the supply side has struggled to keep pace. Germany currently has only around 102,600[3] private PBSA beds, which constitute less than one-third of the total PBSA beds available. The majority are public subsidized accommodations managed by the student unions which are mostly quite old, poorly funded and therefore of low quality.

Investment Opportunities

This unmet demand and certain advantages like state funding and favourable lease regulations present substantial opportunities for investors. Although there is significant growth potential in Germany's PBSA market, it should not be directly compared with more mature markets like the UK because of distinct differences in historical development and supply structures.

Driving factors[4]

- The low risk of development exceeding demand is attributable to the limited new construction pipeline
- High occupancy rates and dynamic rental prices lead to an excellent operational performance of PBSA
- As a relatively new asset class, ESG compliance is being taken into particular account in PBSA products
- High barriers to entry in the private rented sector due to low fluctuation and availability, especially for students
- The growing number of international students and the need for mobile, adaptable living arrangements are driving up demand for plug-and-play accommodation options
- Insufficient quality in existing PBSA supply
- Attractive incentives regarding KFW's funding programs also for small-scale housing concepts

Germany has investment friendly legal and regulatory frameworks for PBSA

The legal and regulatory framework for PBSA is quite beneficial compared to other real estate asset classes. The essential aspects are:

State funding

- The creation of student housing is promoted by the German state.
  - A special program within the framework of social housing is launched by the federal government with a budget of 500m per year.
  - The federal states are responsible for funding programs and their implementation. Individual requirements are therefore state-specific (e.g. Hamburg is granting subsidized loans with an initial interest rate of 1.0 %, one-off and ongoing subsidies over a period of 30 years against limitation on net cold rent and specification on household sizes and household area requirements).
  - Objective: To promote places in halls of residence for students and trainees
  - Possible use: Expansion, new construction or conversion of new dormitory spaces
- Germany also promotes climate-friendly and energy-efficient construction in general through low interest loans by its promotional bank KfW.

Zoning and planning

- In principle PBSA is permissible in every building area which allows residential use as far as – based on a case-by-case assessment – the project is not reckless towards neighbouring uses.
- There is no legal basis for stipulations on rent levels under German law. Zoning plans cannot limit rent levels but only reserve areas for residential use with special needs, such as student housing.

[3] Source: JLL Research 2024 "German PBSA: Investing in the Future", p. 3

[4] JLL Research 2024 "German PBSA: Investing in the Future", p. 4

Lease contracts

- Short-term forms of residence and student halls of residence are generally exempt from most of the rather strict tenant protection provisions. What is critical is that the operational concept complies with the statutory requirements.
- Another advantage of PBSA is that agreeing an all-in rent is generally permitted otherwise than in the private rented sector in general. Nevertheless, such an all-in rent also be viable in terms of tax law.
- PBSA leasing is considered as residential use and therefore exempt from VAT whereas other short-term leasing concepts are generally subject to VAT. For VAT purposes it may more beneficial to offer a more hybrid concept that is subject to VAT.
- The digital conclusion of leasing agreements is possible and attractive but nevertheless often requires setting up a qualified electronic signature.

Immigration law

- Germany has recently introduced a range of new incentives designed to attract more international students and to boost retention of foreign graduates. If you then consider that Brexit is leading many international students to switch to mainland Europe, and in particular to Germany, because of the now very high tuition fees in the UK, it is not surprising that the number of international students in Germany has increased by an average of 5.3% over the past 10 years.

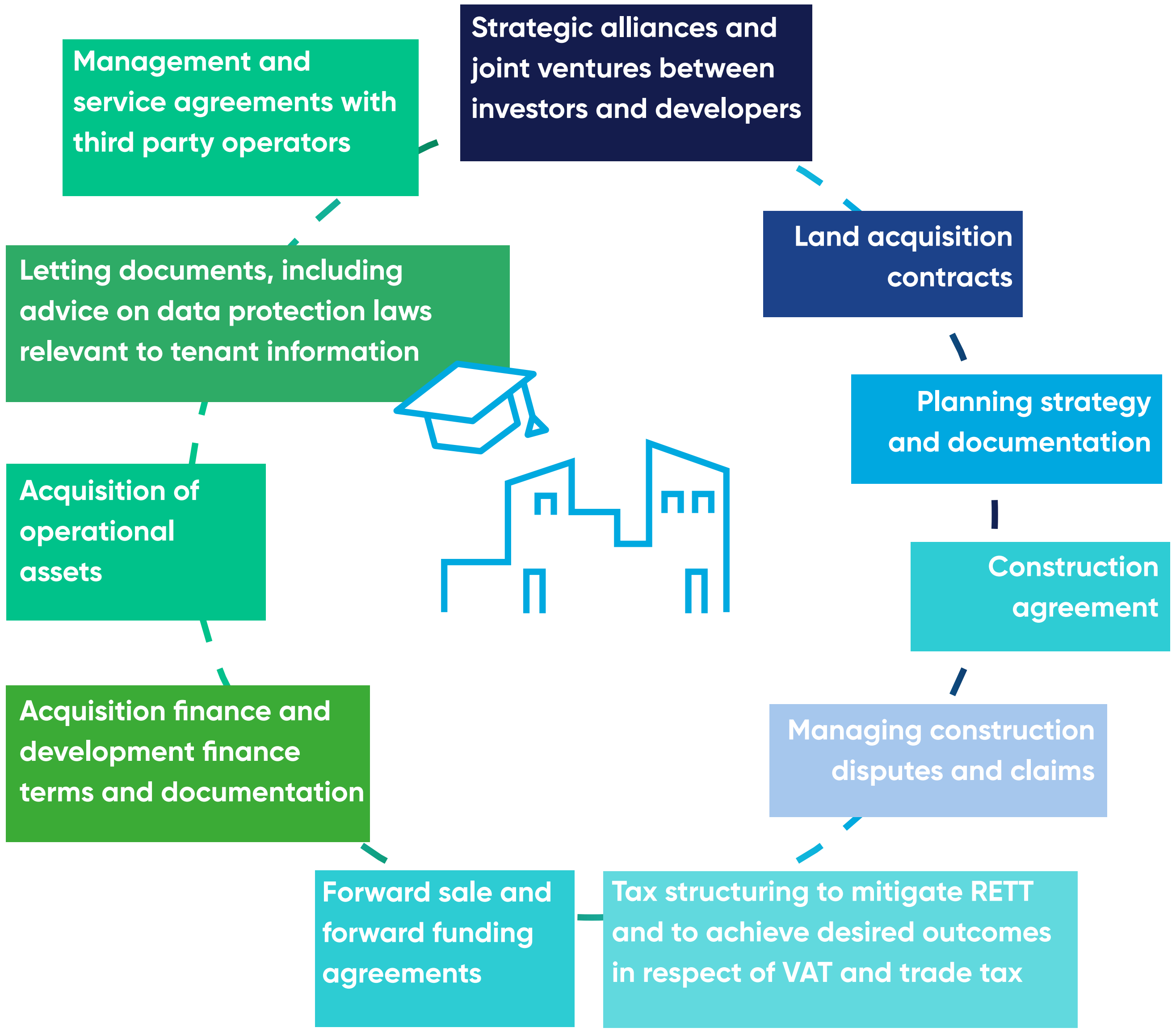
When drafting contracts such as construction agreements or forward sale forward funding agreements, we especially focus on the following aspects for you.

- Ensuring delivery to the agreed specification, including ESG KPIs.
- Controls in respect of the form of construction documentation and the identity of the main contractor and professional team.
- Timing of delivery (including relevant milestones and the consequences of delay), being mindful of the potential impact of delay on the marketing of units and occupancy levels at the start.

TaylorWessing

Full service legal expertise tailored to your needs

Our Real Estate team at Taylor Wessing is equipped with extensive experience and expertise to advice on your ventures in the German PBSA market. Our services span the entire lifecycle of student housing projects and transactions, ensuring seamless execution from planning and construction to completion and letting or sale.



"

Taylor Wessing's team are interdisciplinary and experienced, and take pragmatic approaches.

Client, Real Estate, Chambers Germany 2025

"

The team has broad knowledge, extensive experience and very good negotiation skills.

Client, Real Estate, Chambers Europe 2024

"

My lawyers at Taylor Wessing offer high levels of legal expertise, thoroughness and speed.

Client, Real Estate, Chambers Germany 2025

"

Practical, pragmatic, solution-oriented, great at personal level, innovative approaches to complex issues.

Client, Real Estate, The Legal 500 2024

"

Taylor Wessing has a large and motivated team of young lawyers who provide us with fast responses that fully answer our questions.

Client, Real Estate, Chambers Germany 2025

"

Outstanding expertise and practical advice at eye level.

Client, Real Estate, The Legal 500 2024

JUVE TOP 50 Wirtschaftskanzlei Deutschland 2024|2025

Chambers TOP RANKED Germany 2025 Taylor Wessing

TOP KANZLEI Legal500 DEUTSCHLAND 2025

Click here! Your One-Stop-Shop

TaylorWessing

Your Key Contact

Dr Daniel Graske
Salary Partner, Hamburg
Real Estate
+49 40 36803-378
d.graske@taylorwessing.com

Your wider German PBSA-Team

Dr Lars Hagen
Salary Partner, Frankfurt/Hamburg
Real Estate
+49 69 97130-308
l.hagen@taylorwessing.com

Laura Stechno
Senior Associate, Munich
Real Estate
+49 89 21038-140
l.stechno@taylorwessing.com

Josefin E. Nagel, MLE.
Salary Partner, Hamburg
Real Estate & Construction
+49 40 36803-446
j.nagel@taylorwessing.com

Julian C. Ludwig
Salary Partner, Frankfurt
Tax
+49 69 97130-261
j.ludwig@taylorwessing.com

Dr. Kris Breudel, LL.M.
Senior Associate, Berlin
Public Planning
+49 30 885636-189
k.breudel@taylorwessing.com

1,250+ lawyers
300+ partners
27 offices
17 jurisdictions

Austria	**Vienna**
Belgium	**Brussels**
China	**Beijing* | Hong Kong | Shanghai***
Czech Republic	**Brno* | Prague**
France	**Paris**
Germany	**Berlin | Duesseldorf | Frankfurt a. M. | Hamburg | Munich**
Hungary	**Budapest**
Netherlands	**Amsterdam | Eindhoven**
Poland	**Warsaw**
Republic of Ireland	**Dublin**
Slovakia	**Bratislava**
South Korea	**Seoul****
UAE	**Dubai**
Ukraine	**Kyiv**
United Kingdom	**Cambridge | Liverpool | London**
USA	**New York* | Silicon Valley***

*Representative office **Associated office