

Briefing note

Student housing - Part 1: The squeeze

May 2015

Student apartments have one distinguishing feature: they are small! Today's students struggle to find apartment sizes they can afford. Consequently, they are being squeezed out of the open apartment market. This has laid the foundations for the emergence of a new market segment.

What defines a student apartment?

Have you ever asked yourself what differentiates a student apartment from a "normal" apartment? The (private) student apartment providers would probably list the following characteristics: student accommodation has communal areas, on-site support for advising and assisting the students and the apartments can be rented for a fixed term based around semester dates at an all-inclusive rent. Naturally, the apartments are also furnished to save students the expense of buying their own furniture.

The answer: it is small!

These elements are indeed true of most (newer) student accommodation. However, a more significant difference between student apartments and "normal" apartments is their size. While the average apartment in Germany measures 93 sq m and every inhabitant in Germany occupies an average area of 43 sq m, students in Germany must content themselves with significantly less space. The average size of a student apartment is 48 sq m, meaning that each student occupies just 20 sq m of living space. That students must accept less space is obviously directly correlated with their income situation and, at first glance, appears a trite observation. However, this aspect is far more significant than amenities such as on-site support or communal

areas. The fact that students are a low-income social group and can only afford small apartments is creating a student "housing shortage", which has been regularly highlighted in the press in recent years.

Students can afford increasingly less living space ...

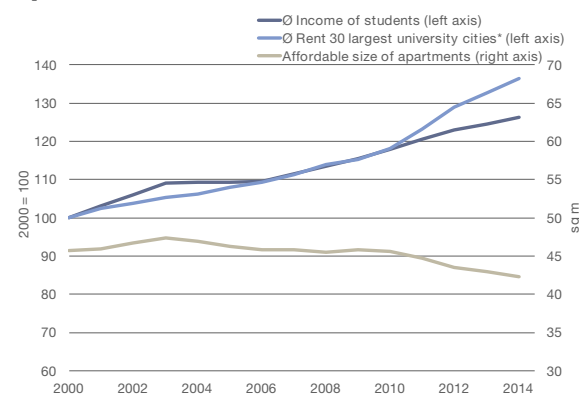
The reason for the shortage of student housing is not so much the significant increase in student numbers, but rather the growth in residential rents. Until 2010, rents moved largely in unison with student income. Since then, however, rents have risen significantly more strongly (Fig. 1). The average student income is currently approx. €900 per month, which is 7% higher than in 2010. In the same period, average residential rents in the thirty largest university cities have risen from €7.09 per sq m to €8.40 per sq m; an increase of more than 16% or more than double that of incomes. Consequently, students can afford increasingly less living space from their monthly income. Assuming, for example, that they spend 40% of their net monthly income on net exclusive rent, in 2000 they could afford an average of 46 sq m of living space in the thirty cities. Excluding minimal fluctuations, this figure remained unchanged until 2010. Since then, the affordable apartment size has consistently fallen and now stands at 42 sq m. In Munich, the city with the

Student housing

Four briefing notes, one issue

- In a series of four publications, we analyse the student apartment market in Germany.
- This first part sets out the prerequisites for the emergence of the private student apartment market, namely the squeezing out of students from the open apartment market.
- The three subsequent reports (Part 2: The construction boom, Part 3: Overbuilding, Part 4: Change) elaborate on this newly emerging market segment.

GRAPH 1
Rents and student income are drifting apart



Source: Bulwiengesa, Deutsches Studentenwerk, Savills / * by student number

highest current residential rents, the affordable apartment size is even as low as 26 sq m (2000: 31 sq m). In the most inexpensive city of Bochum, on the other hand, the average student budget can afford 62 sq m (2000: 55 sq m).

... and are being squeezed out of the rental apartment market,

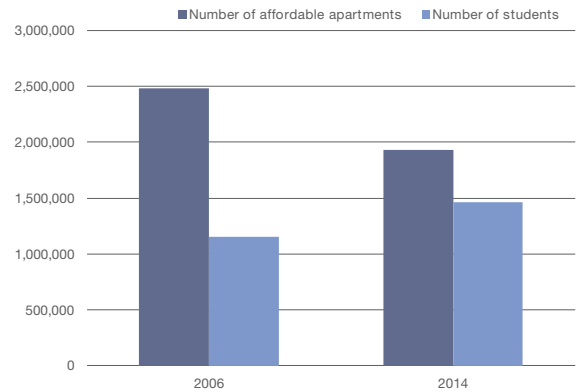
... Consequently, not only are student apartments small, they are becoming ever smaller. The problem is that, because there are so few apartments students can afford with their available budget, students are being increasingly squeezed out of the open apartment market. This is at least true for 26% of students who would like to live alone in an apartment according to the most recent social survey. In Stuttgart, for example, where students can afford an average living space of 36 sq m, only 9% of all apartments are smaller than 40 sq m. In Munich, just 6% of the entire apartment stock is smaller than 30 sq m. In the thirty largest university cities, the number of affordable apartments has fallen from approx. 1.7 million to 1.3 million since 2006, while the number of students in these cities has risen from almost 1.2 million to almost 1.5 million during the same period (Fig. 2). In addition, students are competing with other

social groups for these few small apartments, including a large portion of single-person households, which have also significantly increased in number in recent years.

... which is creating a new market segment

In brief, apartments in Germany are too large for student budgets. These could be furnished or let on fixed terms at all-inclusive rents without further ado. Making them smaller, on the other hand, would involve high costs that would normally be uneconomical. This has laid the foundations for the emergence of a private market for (small) student apartments in Germany in recent years. The pace of growth of this market segment will be discussed in the next part of this series.

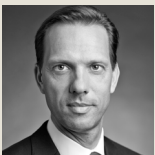
GRAPH 2 Increasing number of students, decline of affordable apartments*



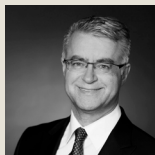
Source: Statistisches Bundesamt, Savills / * in 30 largest university cities

Savills Germany

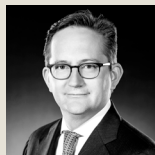
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