BRIEF | Intelligent Investment

Cost Profiles and Income Ranges in Modern Living

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Modern Living concepts such as student housing, co-living and micro-living are in high demand among investors while exhibiting a complex, operationally intensive cost structure.

Number of residential units in Modern Living in the top 15 cities

> 40,000

Transaction volume Modern Living Germany 2025

€267m

Residential units valued by CBRE in Modern Living 2025

> 12,500

A new benchmark for operating costs in Modern Living

Although these use types are fundamentally classified as residential, depending on the respective concept, they exhibit characteristics of commercial use in key areas. This applies to ongoing operations, service intensity and the cost and revenue profile.

Against this backdrop, this analysis draws on the CBRE database covering professionally operated Modern Living assets with approximately 100 to over 500 residential units, more than half of which are located in the Top 7 cities, to systematically analyse operating revenues and costs for the first time.

In addition to net rents and all-in prices, the analysis considers asset and location quality as well as size and fit-out standards. These findings are complemented by insights gained from the valuation of numerous assets and continuous exchange with operators and investors. The objective is to develop a robust cost benchmark for the sector, improve transparency, and provide a well-founded basis for further professional and investment-related discussion.

Rental Income

Rents in Modern Living are almost exclusively quoted as all-in prices and include, beyond the net rent, a flat-rate charge that fully covers ancillary and operating costs. Analogous to the gross rent in traditional residential market segments, this covers standard recoverable ancillary costs such as water, heating or taxes. In Modern Living, a fixed amount is charged for water and heating consumption. In addition, costs for electricity consumption, apartment furnishing and internet access are included in the all-in rent.

In an initial analysis of the quoted rents in the properties in the CBRE Modern Living database, the net rent was set in relation to the flat-rate costs. The average share of the net rent in the all-in total rent is 76%. For a studio at €800 per month all-in, this corresponds to a net rent of €608, or approximately €30/sq m.

The analysis of pure net rents by year of construction and location shows, as expected, that newer properties achieve higher rents, particularly in the top locations. However, the rent premium between properties aged five versus ten years is relatively modest.

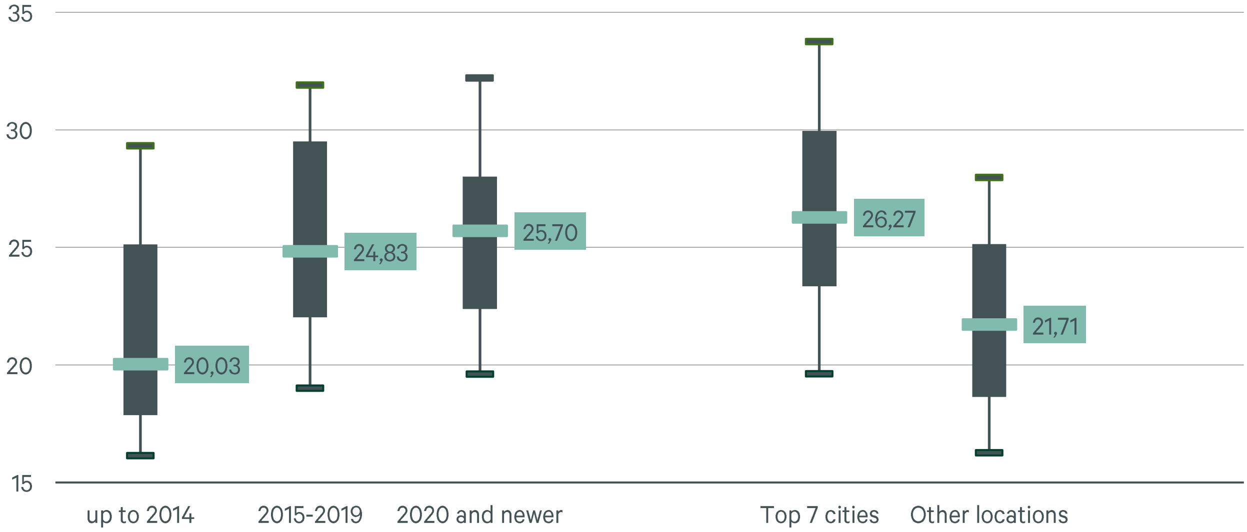
Average share of net rent in the all-in price of the apartment

76%

Average size of an apartment in the top 7

21 sq m

FIGURE 1: Medians and ranges* of apartment net rents in €/sq m/month by year of construction and location



*The inner range covers the 25th to 75th percentile; the outer range shows the 10th to 90th percentile.

Source: CBRE Research

Cost Structure in Ongoing Operations

The segment comprises concepts that are typically geared towards medium- to long-term letting (at least six months). They differ from traditional residential by a higher degree of service intensity and operational organisation. In addition to standard costs, ongoing operations give rise to further expenditures, e.g. building maintenance, services, management of comparatively high tenant turnover and structural items. Based on selected business plans and dialogue with operators and portfolio holders, the shares of individual cost categories in total annual expenditure were analysed and derived as a benchmark for professionally operated properties. The analysis covers the operation of the concept but not the financing of the property:

- Direct consumption operating costs (water, electricity, heating, internet): 29-32% of costs
- Building-related costs (maintenance and renovation): 14-22% of costs
- Service and personnel (administration, cleaning, events, on-site staff, office, marketing): 32-39% of costs
- Structural costs (insurance, taxes, legal matters, banking): 15-20% of costs

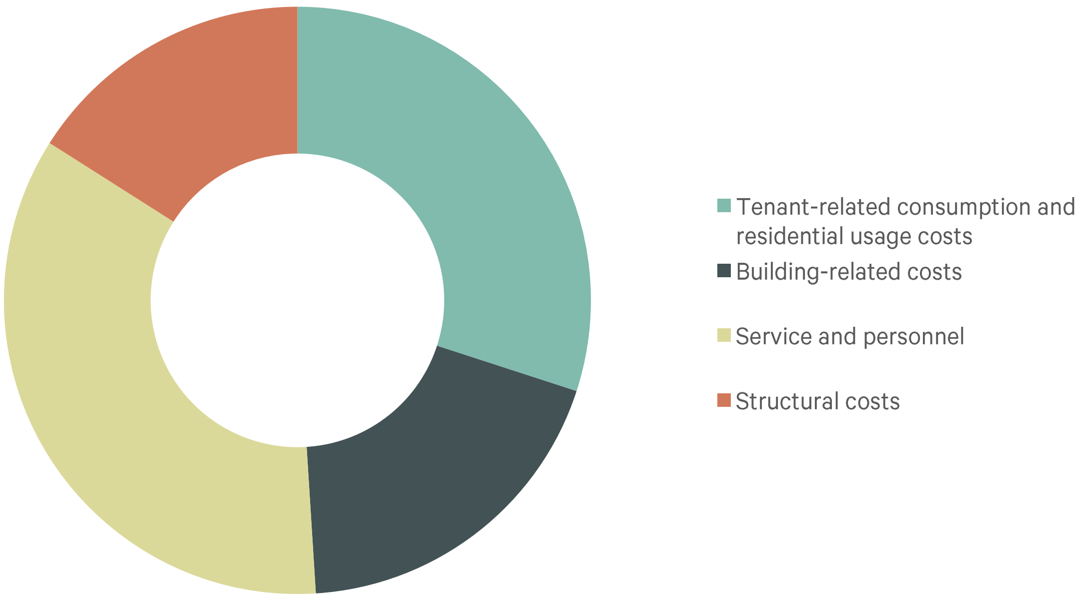
Tenant consumption operating costs

30%

Building, personnel and structural costs

70%

FIGURE 2: Distribution of costs



Source: CBRE Research

Annual Balance Sheet of a Modern Living Property

The financial performance of Modern Living properties varies significantly and is shaped by, among other factors, local market conditions and regional price levels, the respective use concept and the property size.

In the example, the all-in rent of €800 breaks down into 76% net rent (€608) and 24% flat-rate charge for ancillary and operating costs (€192). In addition to the letting of furnished apartments, further revenue is generated: flat-rate charges for move-in and move-out, the letting of parking spaces or storage as well as additional services (use of laundry facilities, cleaning services). On average, these additional revenues amount to around 7% of the all-in rent (€56 per month). This analysis is representative of the cash flow of a property over an entire year.

In the example, ongoing expenses total €257 per month. Against total income of €856, this represents a ratio of net operating income to revenue (NOI margin) of approximately 70%. The illustrative calculation demonstrates that a significant portion of costs is incurred regardless of occupancy levels, making occupancy a key lever for profitability. Additional revenue sources can stabilise the operating result, while the net rent remains the fundamental pillar of the model.

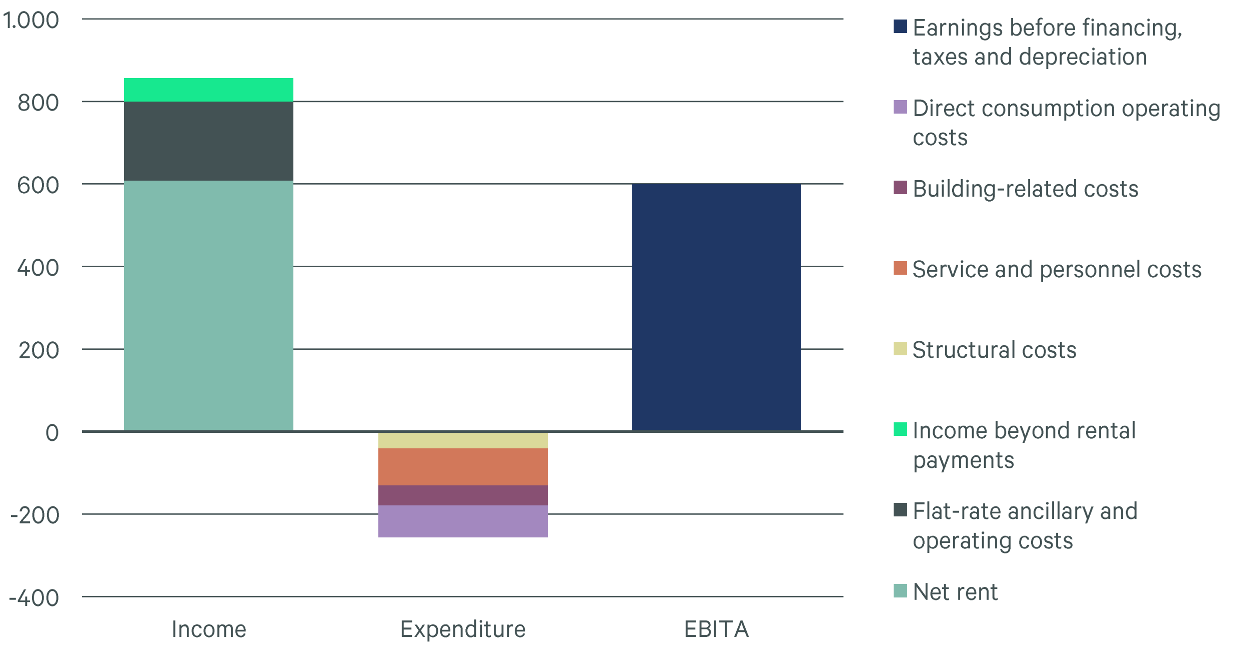
Average additional income beyond the all-in rent

7%

Median NOI margin of the Modern Living segment

70%

FIGURE 3: Annual balance of income and expenditure for an €800 apartment



Source: CBRE Research

Conclusion

Modern Living concepts generate significantly higher returns compared with traditional residential. These are based on product-specific characteristics, more central locations, and a higher standard of fit-out and services. While consumption costs are mostly covered by flat-rate ancillary charges, personnel and service costs, turnover management and maintenance represent the main cost drivers.

Fully occupied properties typically achieve a median NOI margin of 65-75%. In the top 7 cities and in energy-efficient/ESG-compliant properties the margin tends to be higher and can reach up to 85% at the top end. This illustrates the location and concept dependency of the segment. Overall, Modern Living demonstrates stable operational earnings power and positions itself, from a risk perspective, between traditional residential and operator-managed properties. For a final investment assessment, the market value of the property and financing costs must be considered alongside the net operating income.

Key Factors Influencing Net Operating Income (NOI)

Location quality and rent level	Higher net rents, particularly in the top 7 cities, have a direct positive effect on NOI; in secondary locations, the income potential is significantly limited.
Occupancy and letting dynamics	A high share of fixed costs in operations makes stable occupancy a key lever for the operating result.
Service and support depth	Comprehensive service offerings such as on-site management, 24-hour security and the hosting of events increase ongoing costs but can be offset by additional revenue with a suitable target group.
Building age and fit-out standard	Newer properties and modern fit-outs reduce maintenance and renovation expenditure and stabilise NOI.
Additional revenue sources	Service charges, parking spaces and storage contribute to stabilising the operating result but do not replace the net rent as the primary revenue source.
Cost structure (fixed vs. variable)	A substantial portion of personnel, management, and structural costs is largely fixed, constraining profit elasticity when demand fluctuates..

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