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Private University Campuses Strengthen Local Economies – Especially in Non-Urban Regions

Regional economic development remains a key policy challenge in Germany. In this context, universities are often seen as possible drivers of local development. However, empirical evidence for the role private university campuses play in local economies has so far been limited. New evidence for Germany demonstrates that private university campuses can increase local economic activity. The estimated effect corresponds to growth in local gross domestic product of around 1.5 to 2.1 percent. At the same time, the effects are not uniform across regions. They are particularly pronounced in intermediate and more rural regions, while the evidence for more urban regions is limited. The effects also build up gradually over time and become statistically significant only after more than ten years. In addition, there is no evidence of measurable spillovers to neighbouring regions. Taken together, the results suggest that private university campuses can contribute to regional development, especially outside the most urban parts of the country and over longer time horizons.



KEY MESSAGES

- The management of private universities can draw on these findings to substantiate their claim to recognition as locally relevant actors in intermediate and more rural regions.
- Regional, science and higher education policy can include private universities in long-term development strategies for intermediate and more rural regions.
- Economic gains remain concentrated in the host regions of private universities, with no measurable effects in directly neighbouring regions.

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REGIONAL DEVELOPMENT REMAINS A KEY CHALLENGE

Economic development continues to differ substantially between regions in Germany. This is why the focus remains on institutions that may strengthen local economic activity, in particular in less urban areas (BMWK, 2024). Universities have long been considered to be one such factor. For Germany, earlier research already shows that public scientific organisations can generate positive regional economic effects (e.g. Krieger, 2024; Lehnert et al, 2022; Schubert and Kroll, 2016). However, much less is known about whether this also applies to private universities.

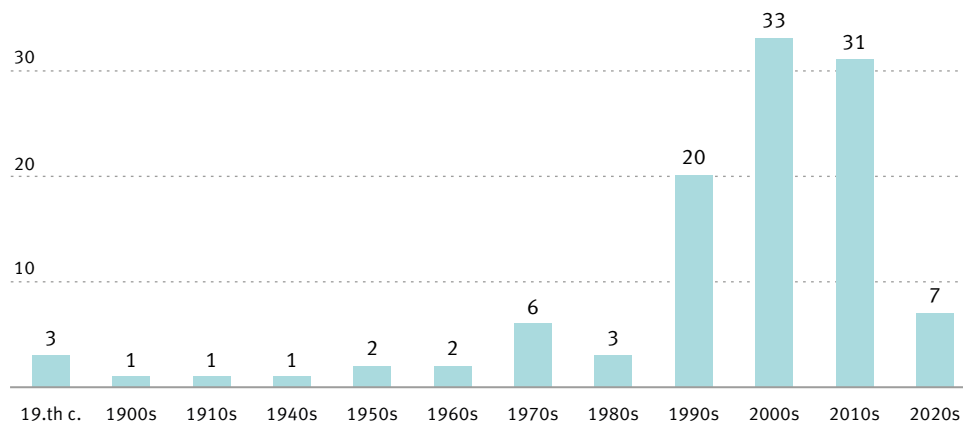
Lack of evidence on the role of private universities in regional growth in Germany

PRIVATE UNIVERSITIES HAVE BECOME VISIBLE IN GERMAN HIGHER EDUCATION

Private universities have expanded substantially in Germany over recent decades, as shown in Figure 1. More than 80 percent of them were established only after 1990, making them a comparatively recent part of the German higher education system. Still, they are no longer negligible in institutional terms. In 2025, there were 108 private universities, accounting for 14 percent of all enrolled students and 28 percent of all higher education institutions in Germany (Science Council, 2025).

Increasing student numbers and new university foundations underscore the growing relevance of private universities

FIGURE 1: FOUNDATIONS OF PRIVATE UNIVERSITIES IN GERMANY OVER TIME



Note: Figure 1 shows the number of private university foundations during each indicated period.
Source: Hachmeister et al. (2024)

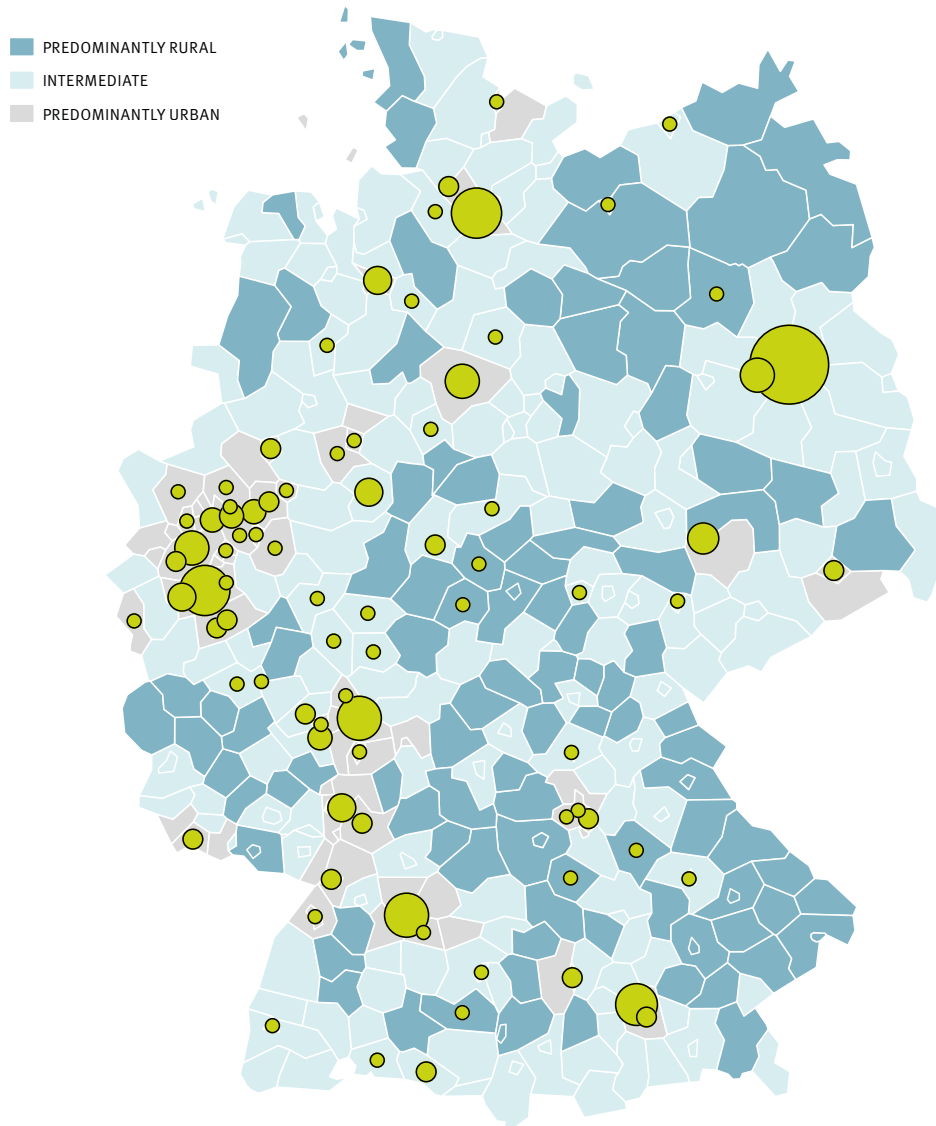
PRIVATE UNIVERSITIES HAVE EXPANDED ACROSS DIFFERENT TYPES OF REGIONS

Unlike most public full universities, private universities often operate multiple campuses in different municipalities. They are concentrated in Germany's largest urban agglomerations, as illustrated in Figures 3 and 4. Figure 3 shows that the highest density of private university campuses (circle size) is found in more urban regions (light grey), such as Berlin, Hamburg, the Rhine-Ruhr and Rhine-Main areas, Stuttgart and Munich. However, they are present in more rural (dark blue) and intermediate (light blue) areas, too. Figure 4 further confirms this urban concentration by showing the distribution of campus locations according to city size: Most private university campuses are located in cities with more than 500.000 inhabitants.

Private university campus foundations are concentrated in urban regions but are also present in more rural and intermediate regions

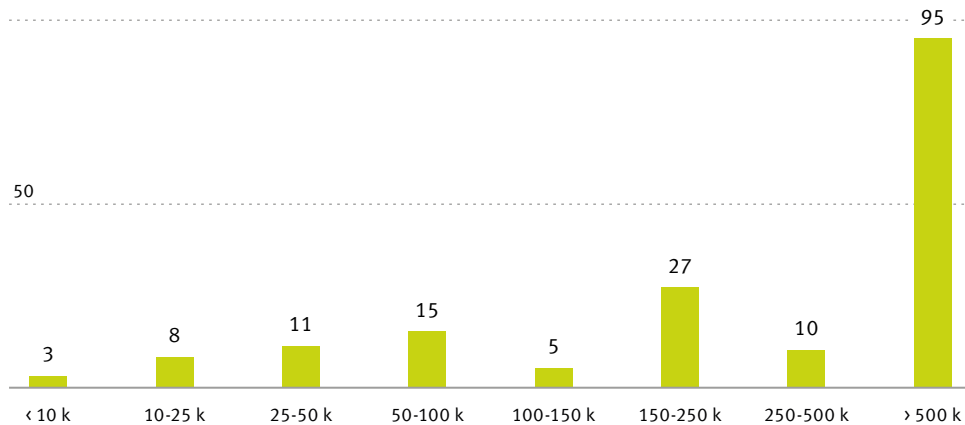
At the same time, campuses are not confined to the largest metropolitan areas but are also present in medium- and smaller-sized cities. Private university campuses are therefore strongly urban in their spatial distribution, but not exclusively so. This geographic spread raises the question of whether their local economic effects differ systematically across regional contexts.

FIGURE 2: DISTRIBUTION OF CAMPUS FOUNDATIONS IN GERMANY, 1985–2020



Note: Figure 2 displays the distribution across Germany of the 233 private university campus foundations for which detailed location information is available between 1985 and 2020.

Source: Krieger et al. (forthcoming)

FIGURE 3: DISTRIBUTION OF PRIVATE UNIVERSITIES ACROSS CITY SIZES

Note: Figure 3 shows the number of main and branch campuses of private higher education institutions by the population size of their location, as of March 1, 2024.
Source: Hachmeister et al. (2024)

PRIVATE UNIVERSITY CAMPUSES PROMOTE LOCAL ECONOMIC ACTIVITY

Krieger et al. (forthcoming) investigate the economic effects of private university campus foundations. They combine information on campus locations and foundation years from 1985 to 2020 with a yearly satellite-based indicator of local economic activity for German postal code regions based on previous research by Lehnert et al. (2022). Methodologically, their study uses a conditional staggered difference-in-differences design following Wooldridge (2025). In short, this method compares changes in economic development over time between regions where a private university campus is founded and similar regions where no campus has yet been founded.

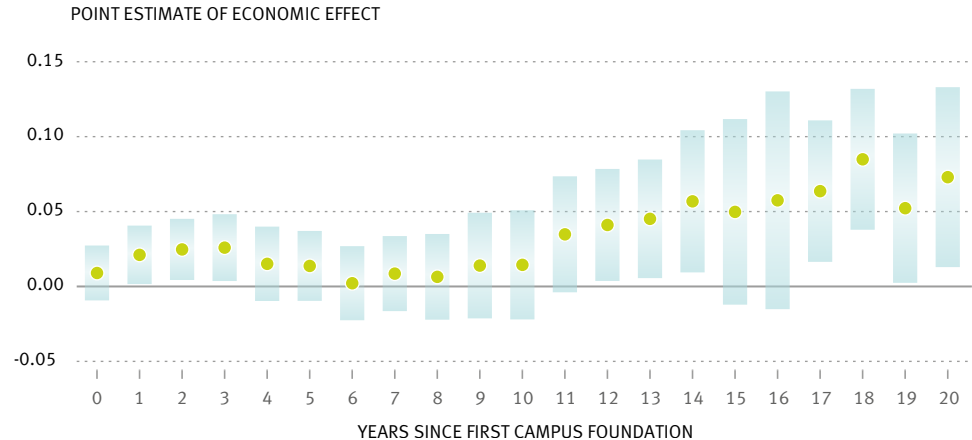
The main finding is a positive effect of private university campus foundations on local economic activity. More precisely, the foundation of a private university campus results in an increase in local GDP by around 1.52 to 2.08 percent. Postal code regions with a private university campus foundation therefore develop more favourably, on average, than comparable regions without such a foundation. However, this result should be interpreted as an average across different regions and campus foundations. It does not imply that every campus foundation generates this effect everywhere and immediately.

Analyses of private university campus foundations suggest that local GDP in the postal code region increases by around 1.52 to 2.08 percent

ECONOMIC EFFECTS BUILD UP OVER TIME

The more detailed results indicate that the positive effects on regional economic activity remain small in the first years and then increase gradually over time. They become statistically significant after more than ten years. This pattern suggests that the contribution of private university campuses to local economic activity unfolds over a longer horizon.

FIGURE 4: EVOLUTION OF THE ECONOMIC EFFECTS OF PRIVATE UNIVERSITY CAMPUS FOUNDATIONS WITHIN A REGION



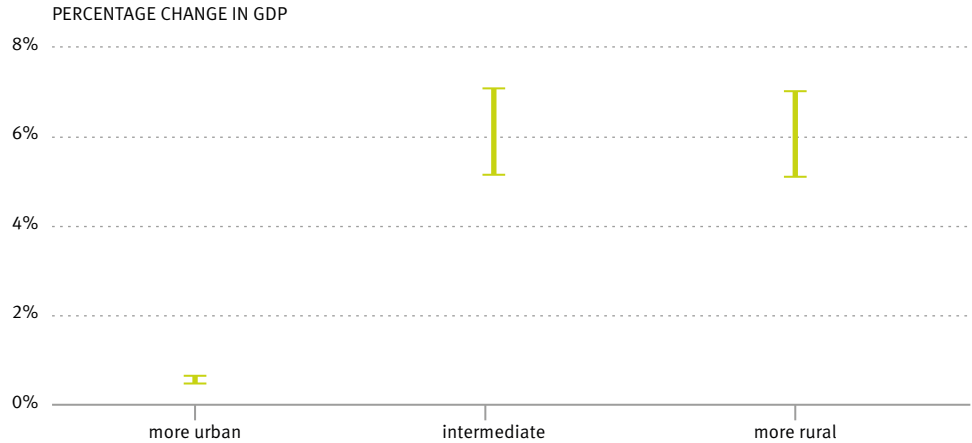
Note: The figure shows the point estimates of the effects of private university campus foundations on local economic activity over time, together with 95% confidence intervals. Source: Krieger et al. (forthcoming)

ECONOMIC EFFECTS ARE DRIVEN BY NON-URBAN REGIONS

Further analyses also show a strong regional heterogeneity of the estimated effects. The largest economic effects appear in intermediate and more rural regions. For both region types, the effect corresponds to an increase in regional GDP of between 5.10 and 7.07 percent and is highly statistically significant. The positive economic effects of private university campuses are therefore concentrated above all in these regions.

Statistically significant effects are found only in intermediate and more rural regions

FIGURE 5: ECONOMIC EFFECTS OF PRIVATE UNIVERSITY CAMPUS FOUNDATIONS ACROSS DIFFERENT REGIONS



Note: The figure reports lower- and upper-bound estimates of the effects of private university campus foundations on local economic activity for more urban, intermediate, and more rural regions. The bounds reflect that local economic activity is estimated itself using satellite-based data (Lehnert et al., 2024). Source: Krieger et al. (forthcoming)

For more urban regions, the estimated effect is small, between 0.48 and 0.65 percent, and not statistically significant. Thus, the broader message is that private university campuses appear to be particularly relevant for regional economic development outside the most urban parts of the country. Their contribution therefore varies across places.

NO MEASURABLE SPILLOVERS TO NEIGHBOURING REGIONS

Additional estimations were made to assess whether the economic effects of private university campuses also extend into neighbouring regions. The results show no statistically significant spillovers to neighbouring postal code regions in general. The economic gains associated with private university campus foundations thus appear to be confined to the host region itself.

MAIN TAKEAWAYS

Private university campuses can contribute to regional economic development in Germany. On average, campus foundations are associated with higher local economic activity. However, these effects are not uniform across regions: They are strongest in intermediate and more rural regions, build up gradually over time and appear to remain concentrated in the respective postal code region. Private university campuses thus seem to matter most as longer-term, locally embedded actors outside the largest urban areas.

PRACTICAL IMPLICATIONS

The management of private universities has greater leverage to demonstrate their relevance as economic actors in such regions. The findings also support a justified claim for local and regional support where campuses can contribute to longer-term development. Strategically, the results suggest that locations outside the largest metropolitan areas may offer greater scope for regional relevance than is often assumed.

The findings' implications for regional, science and higher education policy are that private university campuses can form part of longer-term place-based development strategies, especially outside the largest urban areas. Since the gains appear to remain at the local level, local integration of the campuses may matter, for example, through infrastructure, housing, business links, labour market fit, and strengthening connections to and between regional education and innovation actors. The evidence is more limited regarding larger urban areas, suggesting a different role for private campuses than in intermediate and more rural regions.

The findings underline the role of private universities as relevant economic actors for higher education policy and university management

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