

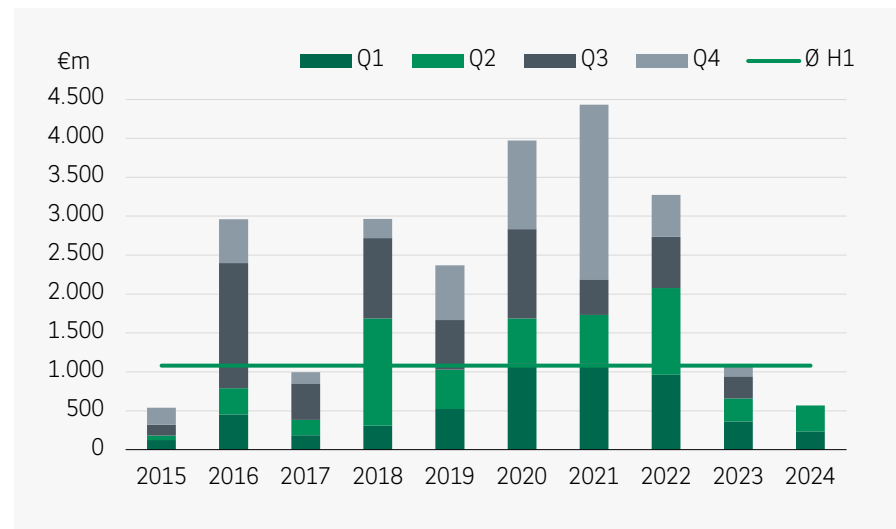
GERMANY

REPORT

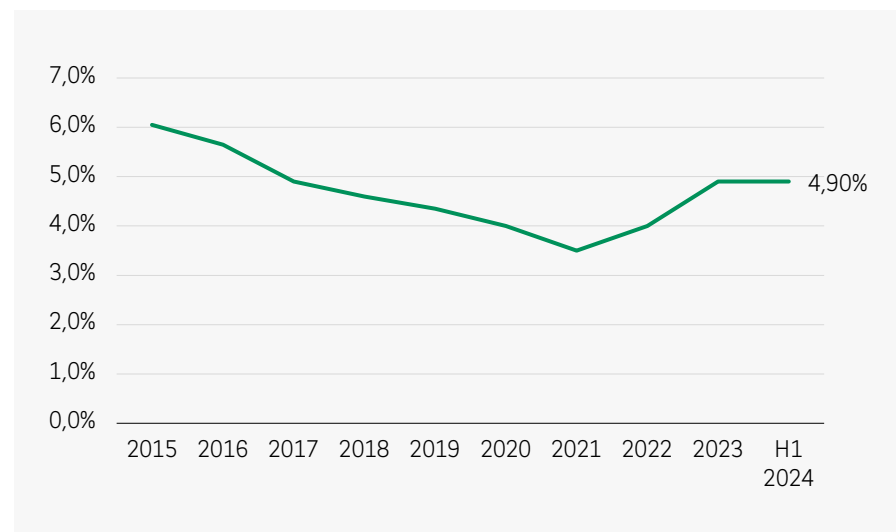
HEALTHCARE INVESTMENT MARKET

H1 2024

Development of healthcare investment volume



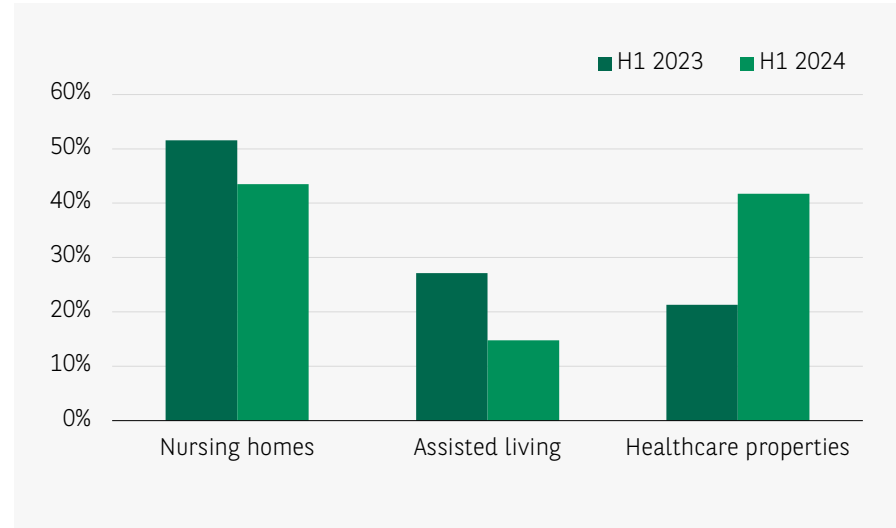
Net prime yield for nursing home real estate



MARKET DYNAMICS SIMILAR TO PREVIOUS YEAR, VOLUME REMAINS WELL BELOW RECORD YEARS

- As in the previous year, the strong positive trend on the healthcare investment market from previous years was unable to be maintained in the first half of 2024. With a transaction volume of €568 million, the previous year's figure was missed by 14% and the 10-year average by around 47%. The “positive exceptional economic situation” caused by the coronavirus pandemic is thus increasingly receding into the background. On the other hand, the significant rise in financing costs and the challenging procurement of debt capital since last year have become a brake on activities on the healthcare investment market. A number of major insolvencies are also having a negative impact on transaction activity. Operator risk is therefore being monitored more closely again, particularly by risk-averse investors.
- The largest portfolio deal was the sale of three nursing homes owned by Vonovia in the Rhine-Main region. At €91 million, proceeds in the amount of the respective book value were realized. In addition, only one other transaction exceeded the €50 million mark: An ensemble of properties for assisted living in Baden-Württemberg was sold to a German family office.
- Against the backdrop of completed valuation adjustments and a slightly improved financing environment, the prime yield remained stable at 4.90% in the second quarter.

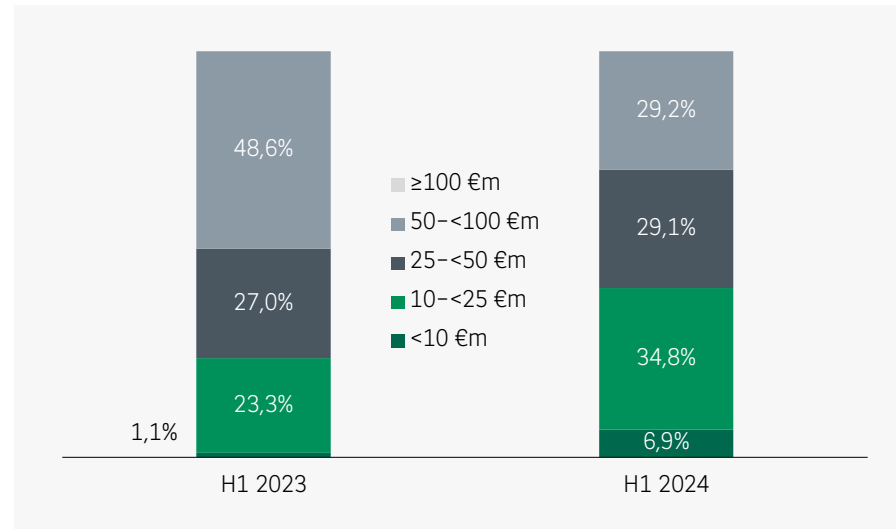
Healthcare investments by type of property



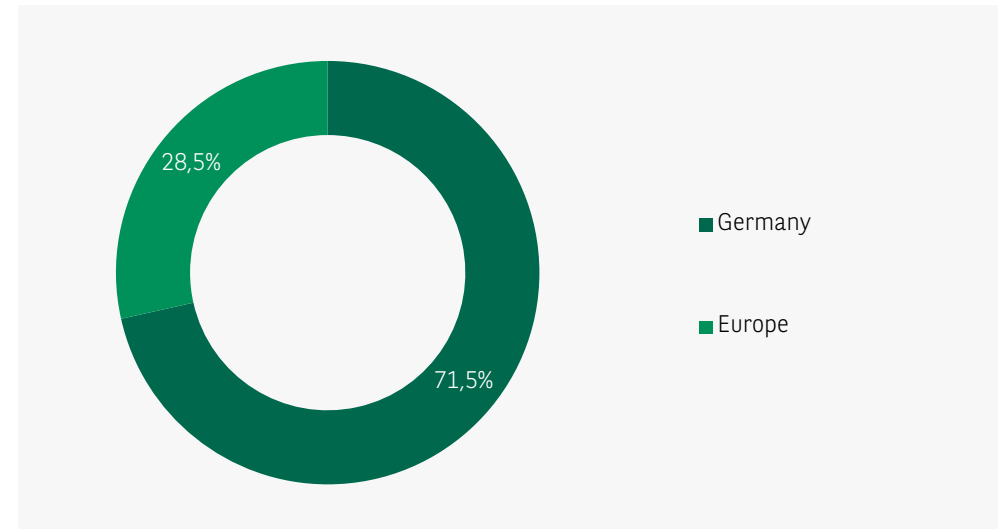
NURSING HOMES WITH VERY SUBDUED RESULT

- Nursing homes account for around 44% of the market share (Ø10 years 68%): The low volume of €247 million (-64% compared to Ø10 years) in this segment in particular is the reason for the weak performance of the entire asset class. Assisted living has a low market share of 15%, although this is higher than the long-term average (9%). Healthcare properties also achieved a relatively high volume of €237 million and a strong market share of 42% (Ø10 years: 23%).
- The distribution of the investment volume by size class is particularly notable for the absence of the large-volume segment over €100 million. Overall, the market is much smaller and more granular than before. This is reflected in the low average volume per deal of €22 million (Ø10 years: €27 million) and a low number of less than 30 deals (Ø10 years: 37 deals). This shows that the market is still in a consolidation phase.

Healthcare investments by € category



Healthcare investments by origin of capital H1 2024



OUTLOOK

- The healthcare investment market is currently facing various challenges due to inherent structural problems in the healthcare and nursing care sector. In the nursing homes sector, for example, risk-averse investors in particular are reluctant to take on the existing operator risk. Medical centers and clinics in particular are also increasingly having to focus on cost savings, which is why relocations or new settlements are increasingly being examined from an economic perspective. Despite the many uncertainties, the healthcare segment is characterized by good fundamental data on the demand side and excellent growth prospects in the medium to long term against the backdrop of demographic change and an ageing population.
- With an investment volume of €570 million from the first half of the year, the €1 billion mark should be a realistic target by the end of the year. However, a typical year-end result of between €2.0 billion and €2.5 billion, as in the past ten years, appears to be an almost unattainable target corridor.
- Against the backdrop of valuation corrections that have largely already been completed, the prospect of an improved fiscal and economic environment in the coming quarters and a decline in new supply, a stable peak yield at the end of the year appears to be the most likely scenario. Even a slight yield compression cannot be completely ruled out.

Key facts healthcare investment market Germany

INVESTMENT VOLUME	H1 2023	H1 2024	CHANGE
Total (€m)	660	568	-13,9%
Portfolio share	46,4%	37,2%	-9,2%pts
Share above €100 million	0,0%	0,0%	0,0%pts
Share of foreign investors	5,6%	28,5%	22,8%pts
Share of new buildings	32,3%	4,0%	-28,3%pts

NET PRIME YIELDS	H1 2023	H1 2024	CHANGE
Nursing home real estate	4,50%	4,90%	40 bps

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