

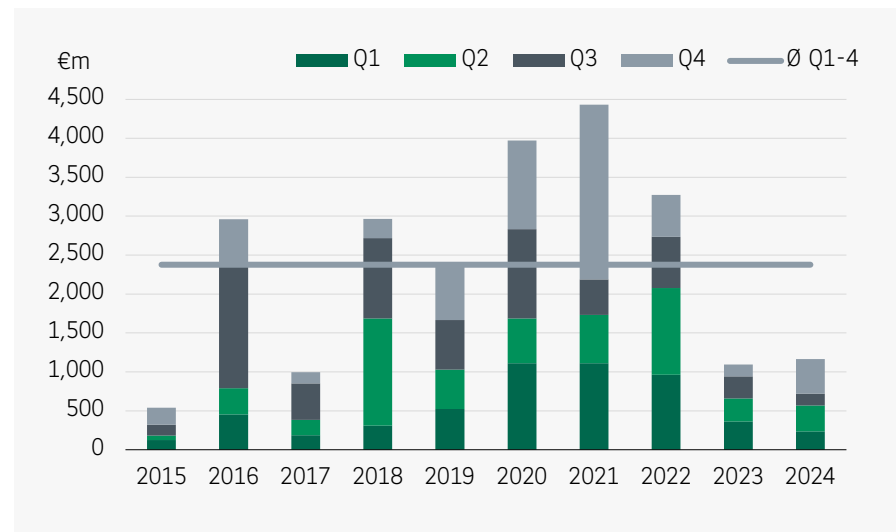
GERMANY

REPORT

HEALTHCARE INVESTMENT MARKET

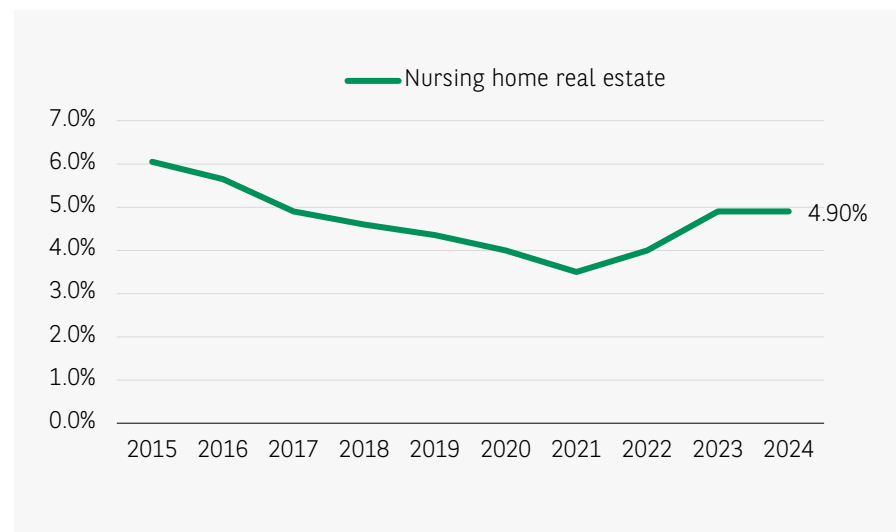
2024

Development of healthcare investment volume



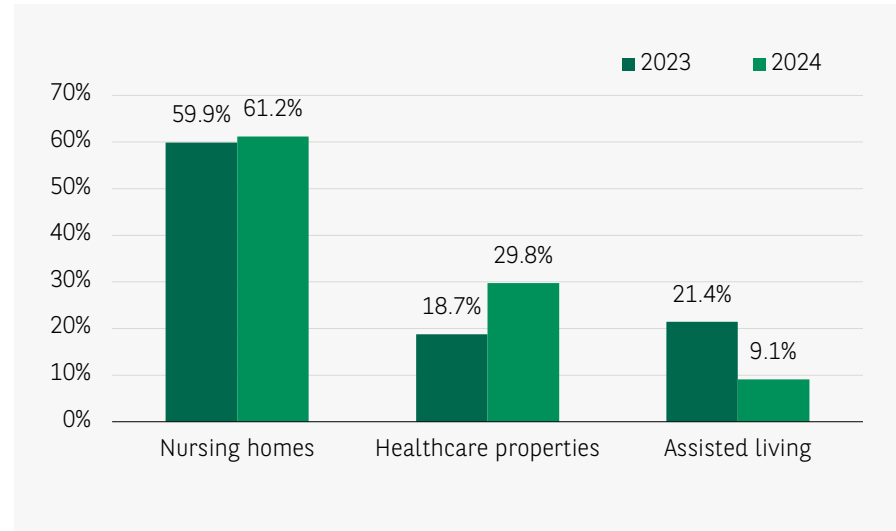
**VOLUME SLIGHTLY ABOVE PREVIOUS YEAR,
BUT STILL WELL BELOW AVERAGE**

Net prime yield for nursing home real estate



- The healthcare investment market recorded a transaction volume of just under €1.2 billion in 2024. The result from the previous year was thus exceeded by 6%, although the year-end total was 51% below the long-term average. The challenging financing conditions, the increased operator risk and the low level of new construction activity continue to have a noticeable dampening effect on investment activity in the care property segment.
- There were signs of a moderate market recovery over the course of the year, which paused briefly in the third quarter but picked up significantly in the fourth quarter. At the end of the year, the highest quarterly volume since the end of 2022 was recorded at a good € 440 million.
- The only transaction registered in the segment over €100 million in the entire year played a significant role in this very good quarterly result. In this context, Civitas acquired the Katharinenhof Group with its 27 care facilities from the Vonovia subsidiary Deutsche Wohnen (around €300 million). Consolidation in the care facility sector is thus continuing.
- In view of the valuation adjustments that have largely already been completed and the gradual improvement in the financing environment, the prime yield is expected to remain constant at 4.90% in the second half of the year.

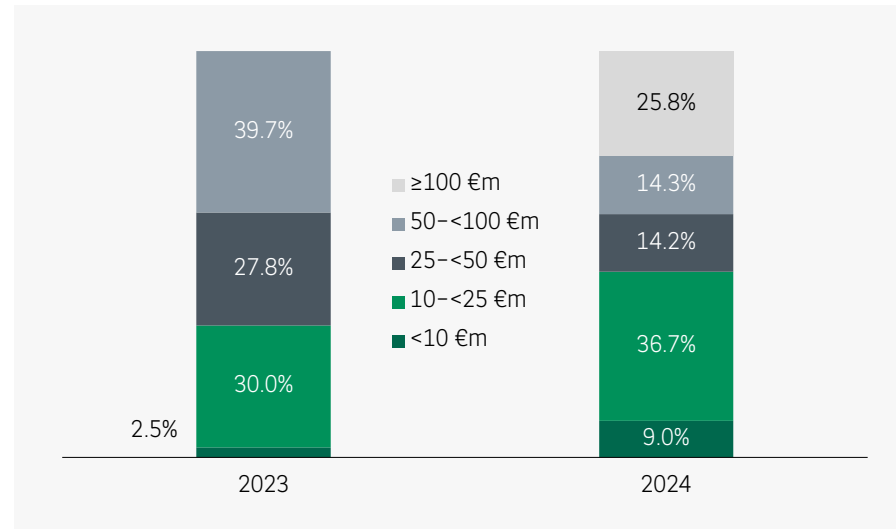
Healthcare investments by type of property



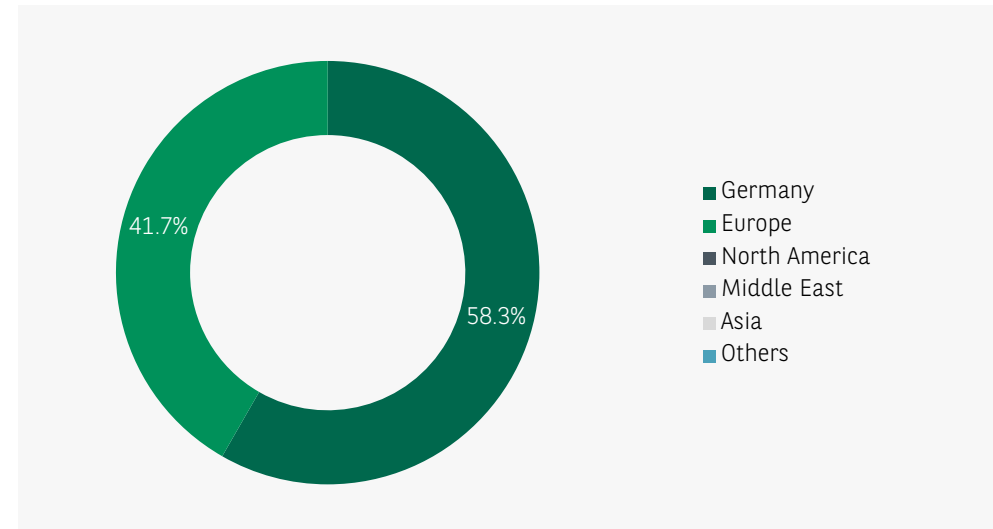
NURSING HOMES WITH SMALL PLUS COMPARED 2023

- Nursing homes achieved a slightly higher market share (61%) compared to the previous year. The aforementioned portfolio deal is largely responsible for this. In absolute terms, however, the investment volume recorded for this sub-asset class (€712 million) is still well below the ten-year average (Ø10 years: just under €1.7 billion). In contrast, healthcare properties (€346 million) recorded an increase of 69% compared to the previous year and an above-average market share of 30% (Ø10 years: 22%).
- The market shares by size class show a broader distribution of the investment volume: Due to the aforementioned portfolio deal in particular, the portfolio segment is more extensively involved in market activity than in 2023. Overall, the market is more compartmentalised than in previous years, with a low average volume per deal of €22 million (Ø10 years: € 30 million).

Healthcare investments by € category



Healthcare investments by origin of capital 2024



OUTLOOK

- Against the backdrop of the still difficult financing environment, high construction costs and various operator insolvencies, only a low level of new construction activity is currently being recorded. Although an increasing number of value-add investors are currently joining forces with developers for possible joint ventures in order to build speculatively in core locations, new construction projects can still only be realised economically on a very selective basis.
- The fundamental data and framework conditions for the healthcare investment market are convincing. Particularly against the backdrop of a weakening macroeconomic environment, the market can be said to be relatively less dependent on the economy, which offers the prospect of stable cash flows. The prospects are particularly promising in the medium and long term, as demographic developments are easy to forecast and society is ageing. The need for care facilities will inevitably increase. There are already bottlenecks in outpatient and inpatient care capacities today, which will worsen unless the expansion of capacity is accelerated.
- On the demand side, there has been a noticeable increase in interest in recent months - with very high operator quality and large-volume investment opportunities. At the same time, rehab facilities are increasingly coming into focus due to diversified refinancing models.
- In anticipation of further reductions in key interest rates and the resulting better financing conditions, which should allow more flexibility in pricing, as well as the valuation corrections that have largely already taken place, the market recovery should gain momentum in 2025. From today's perspective, an initial slight yield compression is quite likely in 2025.

Key facts healthcare investment market Germany

INVESTMENT VOLUME	2023	2024	CHANGE
Total (€m)	1,093	1,163	+6.4%
Portfolio share	41.9%	45.7%	+3.8%pts
Share above €100 million	0.0%	25.8%	+25.8%pts
Share of foreign investors	10.3%	41.7%	+31.4%pts
Share of new buildings	22.6%	6.8%	-15.8%pts

NET PRIME YIELDS	2023	2024	CHANGE
Nursing home real estate	4.90%	4.90%	0bps

CONTACT

BNP Paribas Real Estate GmbH

Goetheplatz 4 | 60311 Frankfurt

Tel. +49 (0)69-298 99-0

E-Mail: kontakt.realestate@bnpparibas.com

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