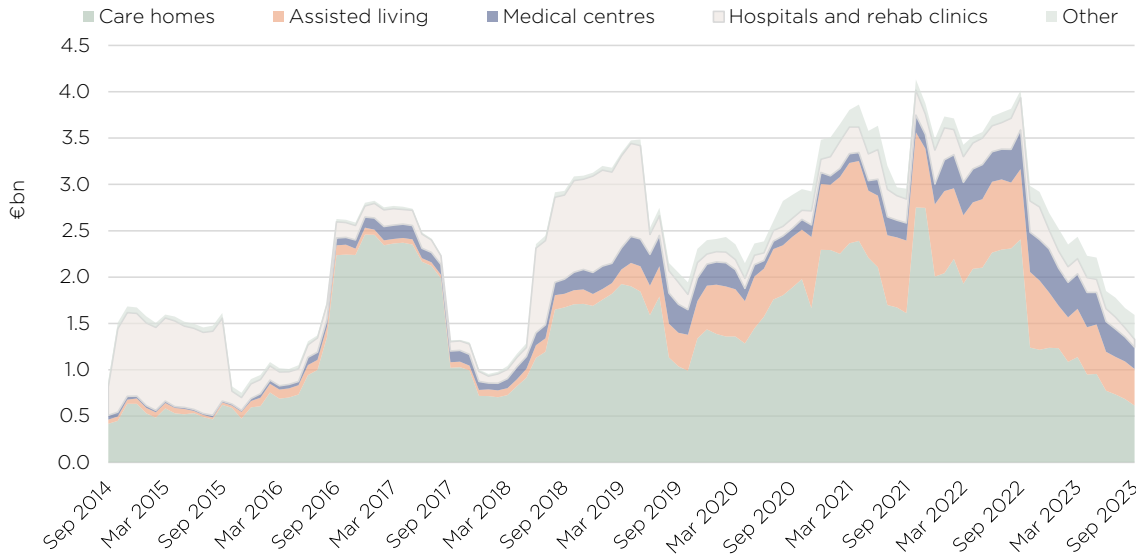


Healthcare Properties Germany

savills

Graph 1: Transaction volume Germany (past 12 months rolling)



Source Savills

Activity on the investment market increased

In the first three quarters of the current year, healthcare properties in Germany were traded for €1.0bn. The transaction volume was thus 51% lower than in the same period of the previous year (Graph 1). The number of transactions decreased by 43%. In Q3, both the volume and the number of transactions were higher than in the previous quarter - for the first time since mid-2022 (Graph 2). There are also indications that the number of transactions will increase in the fourth quarter. However, challenges among care home operators continue to have a negative impact on investor demand. As there is still plenty of capital available for investments in healthcare properties, more demand is focused on medical centres and assisted living facilities. Across all types of use, however, the willingness to sell among owners of modern properties is low. Instead, there is a lot of value-add product on the market. While sector specialists can thus choose from many offers, there is relatively little suitable product available for institutional core and core-plus buyers.

A look at the buyer structure in the first three quarters shows that the market remains fundamentally attractive. Nine of the 28 buyers known by name were first-time investors in German

healthcare properties - proving that the market is still able to attract new capital.

Market is small-scale - prime yields are rising

The investment market for healthcare properties has been small-scale so far this year. There have been only three transactions with a volume of at least €50m. In the same period last year, seven such transactions took place. There has not yet been a transaction in the triple-digit million range this year. Overall, the average transaction size fell to around €19.7m, around 15% lower than in 2022. One reason for this is the absence of larger portfolio transactions. In the year to date, portfolios accounted for only around 22% of the transaction volume, compared with 42% last year. In addition, a decline in capital values is also causing transaction volumes to fall. In Q3, the prime yield for care homes rose by a further 20 basis points to 5.1%. This means that the prime yield has risen by 120 basis points since spring last year.

Care homes account for 43% of volume

In the year to date, care homes have accounted for around 43% of the transaction volume. Although

FOCUS ON SELECTED FIGURES



€27m

Ten assisted living facilities have changed hands since the beginning of the year. The properties comprised an average of 75 units. Half of the properties also had daycare facilities. The average transaction volume of the properties was around €27m.



-49%

All major investor groups reduced their purchases compared with the prior-year period. Fund managers or open-ended funds invested €720m or 49% less. Project developers and private equity funds reduced their purchases by two-thirds, while listed companies were even completely absent as buyers. Private investors or family offices also did not acquire any healthcare properties this year.

they remained the highest-volume type of use, their importance declined compared with the ten-year average of 59%. Assisted living facilities came second with a volume share of 26% (10-year average: 11%). Third place was taken by mixed-use properties such as medical and social quarters, with a share of 12%.

No solution to the care crisis in sight

The below-average share of nursing home investments continues to be explained by the enormous challenges on the part of care home operators. Investors are therefore acting very selectively and are demanding extensive reporting obligations from operators in order to be able to identify economic difficulties at an early stage. In general, the risk of operator insolvency has increased recently. In view of soaring costs, staff shortages and protracted negotiations with the cost-bearers, many care home operators are depleting their resources. The fact that a Caritas association recently had to file for insolvency highlights the precarious situation on the market and is also likely to cause uncertainty among investors.

A short- to medium-term solution to the care crisis does not seem to be in sight. Operators report, for example, that negotiations with cost-bearers on investment cost rates are taking up to 18 months in

some cases, resulting in significant funding gaps. There is also currently no solution in sight for the staff shortage. Last year, the number of apprenticeship contracts for skilled care staff actually fell by 7%. At the same time, there are obstacles to recruiting skilled workers from abroad, because foreign apprenticeship courses are not recognized in Germany in some cases and, according to surveys, many foreign workers do not feel welcome. There are currently no signs of massive countermeasures by policymakers to solve the problems in the care sector. The dependence on incalculable political decisions is likely to ensure that many investors remain reluctant to buy care homes in the future.

Outlook: Price correction for core care homes not yet over

There are indications that the investment market will pick up in Q4, so that transaction volumes are likely to rise. Volume drivers are likely to be some care home portfolios, with value-add products dominating. The continued high demand for assisted living and medical centres should also have a positive impact. For modern and ESG-compliant care homes, transactions are likely to remain scarce and protracted. In addition to insufficient product availability, the price decline, which has probably not yet been completed, is an obstacle.

[Download the charts and raw data here](#) 

SAVILLS TEAM

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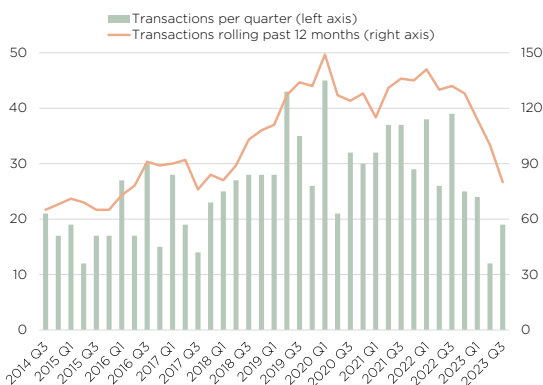
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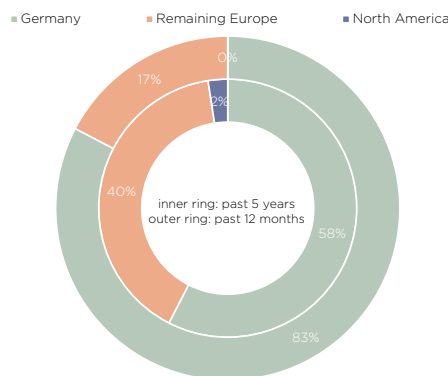
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Graph 2: Number of transactions



Source Savills

Graph 3: Transaction volume by origin of investor



Source Savills

Savills is a leading global real estate service provider listed on the London Stock Exchange. The company, established in 1855, has a rich heritage with unrivalled growth. It is a company that leads rather than follows and now has over 700 offices and associates throughout the Americas, Europe, Asia Pacific, Africa and the Middle East with more than 40,000 employees worldwide. Savills is present in Germany with more than 400 employees with seven offices in the most important estate sites.

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