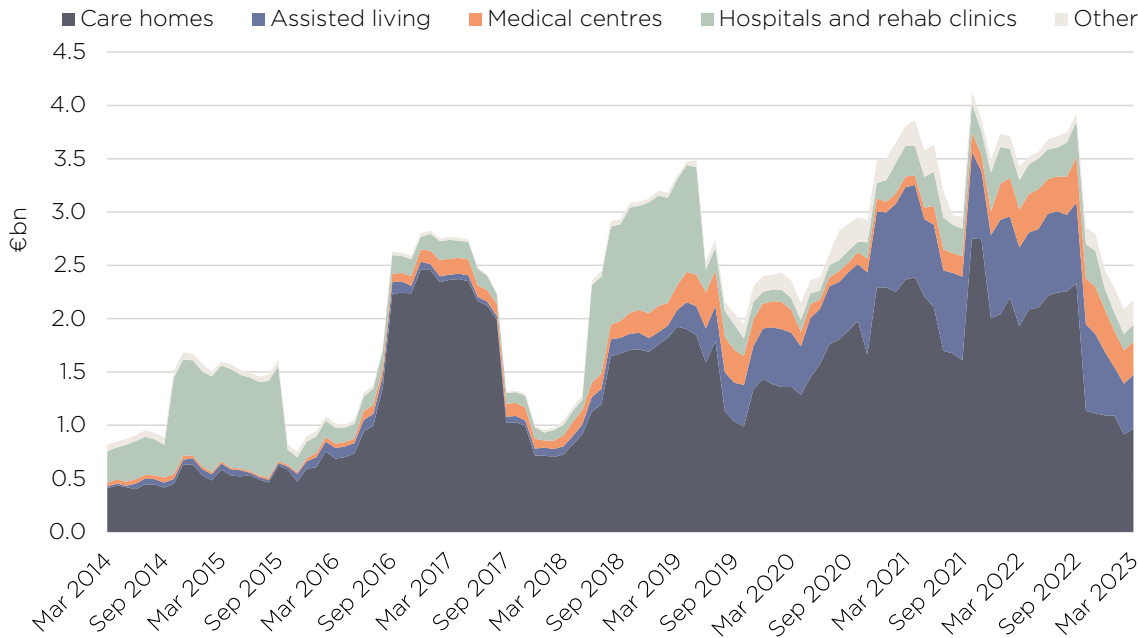


# Healthcare Properties Germany



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



Source Savills

## Care homes: A case for specialists?

In Germany, healthcare properties were traded for €453m in the first quarter of the current year (Graph 1). This means that the transaction volume was 39% below the average quarterly volume of the past five years.

### Assisted living and medical centres continue to gain in importance

With a transaction volume of €185m or a volume share of 41%, care homes were the property type with the highest volume. Second place went to assisted living properties with a volume of €111m or 25% of the total. In third place come medical centres with a volume of €62m and a share of around 14%. We expect that the increase in importance of assisted living and medical centres, which could already be observed last year, will continue. The lower dependence on operators and the better third-party usability of medical centres and assisted living facilities currently fit the risk profiles of many investors better. We therefore observe stable demand for these property types and a willingness to transact even in the current market environment. However, the limited supply poses a challenge when placing larger volumes.

In general, there is more product available for investors with a higher affinity for risk than for those with a low-risk appetite. The price expectations of owners and investors are still far apart, so the price adjustment process is not yet complete.

### Portfolio share falls to below one third - hardly any forward sales

The investment market for healthcare properties has recently become increasingly fragmented. In the first quarter, portfolios accounted for only 32% of the transaction volume, compared to an average of 59% over the past five years. The share of forward sales was also below average in the first quarter. They accounted for only 10% of the volume, compared to 23% in each of the two previous years.

### Specialists gain market share in care homes

With a 68% share of the transaction volume, open-ended special funds were by far the most active buyer group in the first quarter. However, care homes accounted for only one third of their acquisition volume. Although they also made up the majority of buyers of care homes with a volume share of 68%, other players are now gaining ground in this

### FOCUS ON SELECTED FIGURES



## 4.6%

The prime yield for care homes was 4.6% at the end of the first quarter. This means that the yield has risen by 70 basis points within twelve months.



## €266m

In the last twelve months, the volume of sale-and-leaseback transactions amounted to just under €270m. This corresponds to 12% of the total volume. A year ago, the share was 3%.



## 30%

Project developers were the most active seller group in the last 12 months with a volume share of 30%. Operators follow in second place with a share of 22%.

segment. Thus, non-listed real estate companies were much more significant with a volume share of 21% than in the five-year average (3%). Developers have also gained in importance with a volume share of 6% (five-year average: 1%). Although the results of one quarter should not be over-interpreted, they are symptomatic of a gradual change in the investor landscape on the market for healthcare properties. Above all, the challenges on the part of care home operators mean that products for core investors are becoming increasingly rare. Instead, the market for care homes is increasingly becoming a playing field for specialists. The search for possible alternative operators in the event of insolvency, the adaptation of properties to new regional care home legislation or even the refurbishment of older stocks requires extensive detailed knowledge as well as distinctive asset management skills. Accordingly, value-add strategies are likely to become increasingly influential in the care home investment market.

**Outlook: Operator insolvencies remain the sword of Damocles**

Looking at the forecasts on the demand for senior-focused living arrangements and care facilities, nothing has changed in the positive long-term forecast from an investor’s point of view. In the area of intensive care, however, the short-term challenges have become rather greater. Higher wages in the wake of the Tariff Compliance Act, significantly increased costs for energy and consumer goods as well as increased lease payments due to indexation clauses are leading to massive cost increases for

operators. At the same time, so-called investment cost rates, for example, are rising only slowly and, in the opinion of many market observers, too little. The imbalance between costs and revenues is thus growing. Even more: if operators lack staff, they cannot fully utilise their care homes and their revenues even decline. Even well-established operators are thus under severe financial pressure. The sword of Damocles of operator insolvency is thus literally hovering over the market. Because the risk of missing lease payments has increased noticeably, many investors are reluctant to buy project developments as well as existing properties. This capital will be lacking to realise the necessary expansion of bed capacities and the upgrading of older care homes. As a result, the shortage of care beds is likely to become more entrenched.

**SAVILLS TEAM**

Please contact us for further information



**MAX EITING**

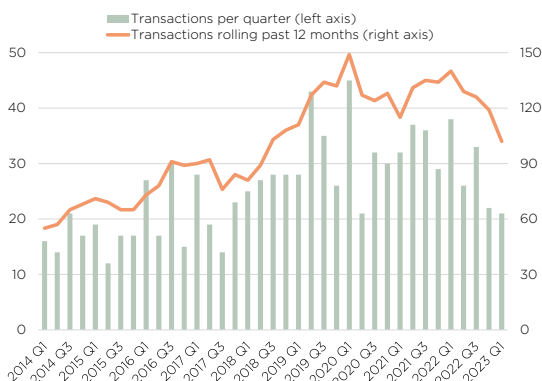
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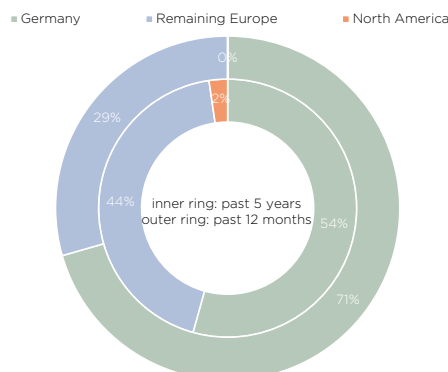
[Download the charts and raw data here](#)

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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