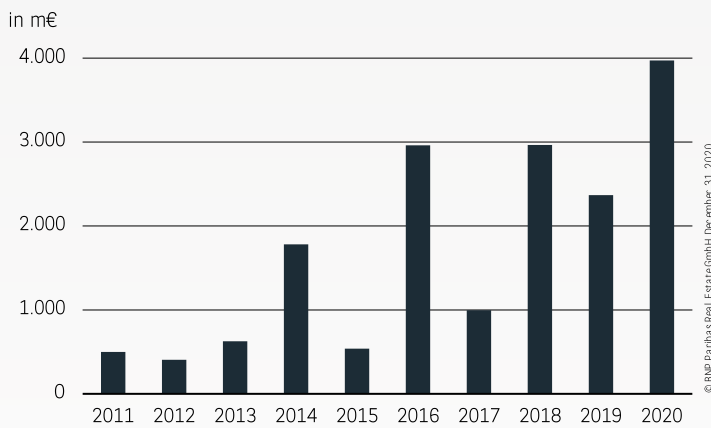




At a Glance **Q4 2020**

# HEALTHCARE INVESTMENT MARKET GERMANY

## Healthcare investment volume

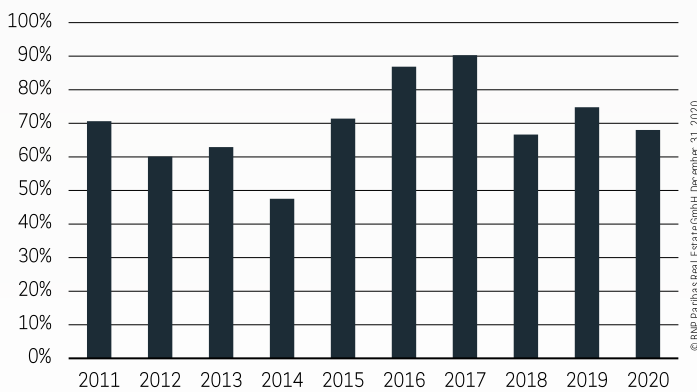


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## NEW RECORD SALES VOLUME IN HEALTHCARE REAL ESTATE

The trend of increasing transaction volumes in healthcare real estate, which has been observed for years, was confirmed in 2020. At just under €4 billion a new record result was achieved, which was 68% above the previous year's figure. Even more remarkable is that the ten-year average was exceeded by around 130%. This extremely dynamic development in the year of the corona pandemic shows that more and more investors are recognizing the sustainability of this asset class. In contrast to other property types, demand and thus rental security is less subject to market fluctuations, but depends primarily on demographic trends. The argument frequently put forward in the past regarding excessive dependence on operators is increasingly fading. On the one hand, investment security is gaining in importance, especially in a difficult macroeconomic environment, and on the other hand, the professionalization of operating companies is further reducing the risk of default. Portfolio transactions made a particularly positive contribution to this development, increasing their result by around 140% to just under €3.09 billion. By contrast, sales of individual properties were around 18% down on the previous year at around €885 million. Nevertheless, this was the second-best transaction volume ever recorded.

## Share of nursing home real estate

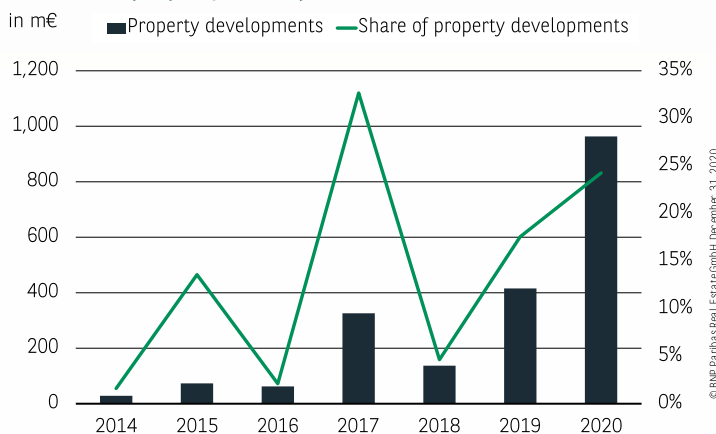


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## RECORD SALES OF NURSING HOMES AND ASSISTED LIVING

Around two thirds of the transaction volume (€2.7 billion) was accounted for by nursing homes, setting a new record. However, healthcare properties (e.g. medical centers, clinics) also more than doubled their volume to €842 million. The development of assisted living is particularly remarkable. Here, the volume increased by 120% to €429 million, which is also a new record. The growing demand for this form of housing is the result of society's gradually changing attitude toward living in old age. In particular, the model of integrating assisted living to a certain extent into nursing homes to enable people to switch to more care-intensive services within the same facility if necessary is gaining in importance.

## Healthcare property developments

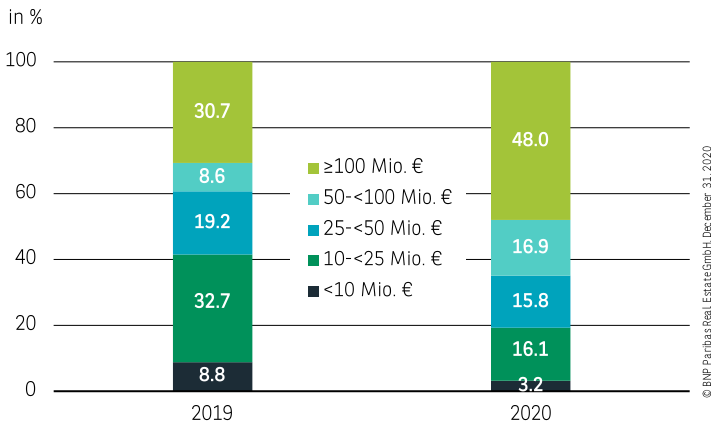


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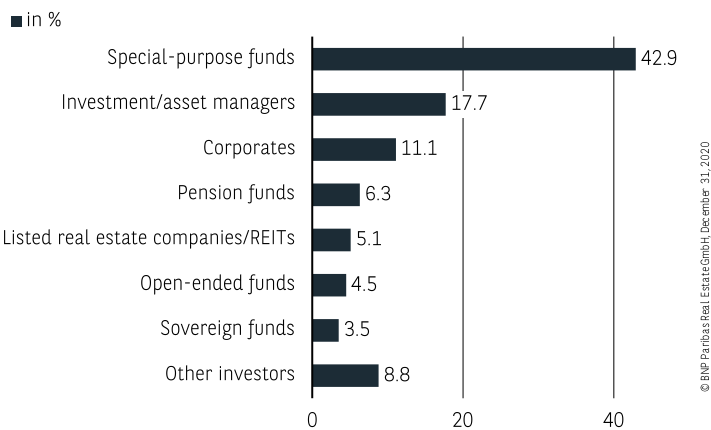
## SHARE OF PROPERTY DEVELOPMENTS TENDING UPWARDS

Property developments accounted for a good 24% of total investment volume. In percentage terms, this is the second-highest figure in recent years, but in absolute terms it is by far the highest transaction volume. Here, too, investors are showing great interest in new products. Nevertheless, property developers often find it difficult to find suitable sites as they are increasingly competing with traditional residential developments.

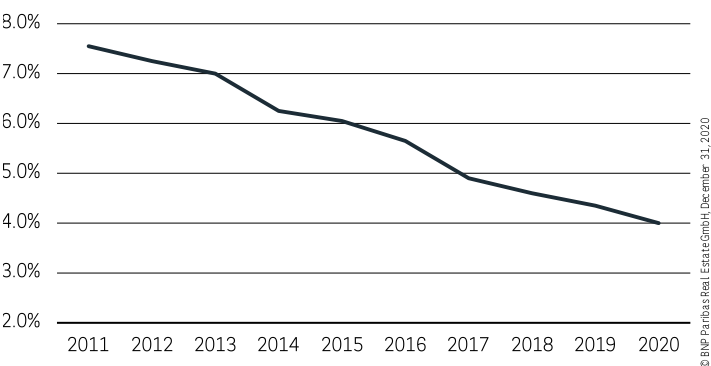
**Investments by size category**



**Investments by buyer groups 2020**



**Net prime yield for nursing home real estate**



**LARGE-SCALE INVESTMENTS PREDOMINANT**

Almost half of the transaction volume resulted from sales in the three-digit million range, all of which were portfolio deals. A prominent example is the Bellevue portfolio of ten high-quality senior housing properties sold by Höchster Versorgungseinrichtungen to GHS, as well as the acquisition of eight new care facilities in North Rhine-Westphalia by Cofinimmo of Belgium. The remaining investment volume is spread relatively homogeneously across the market segments. The size categories between €10 million and €100 million each contributed between 16% and 17% to the result.

**THREE BUYER GROUPS WITH DOUBLE-DIGIT SHARES**

In general, the spectrum of buyers has broadened in recent years. Nevertheless, there are still specialized investors who have been active in this market segment for a long time. In total, three types of investors account for double-digit shares of sales: In first position are special-purpose funds, which contributed 43% to the result, followed by investment managers with 18%. The leading trio is completed by corporates (11%), which act not only as investors but also as operators. Although foreign investors have invested more than ever in German healthcare real estate, with over €1.65 billion (46%), their share has fallen by around ten percentage points compared with the two previous years. The main reason for this is the sharp rise in interest among German buyers, who have increasingly discovered healthcare properties as an attractive asset class in their own right.

**YIELDS DECLINING SIGNIFICANTLY**

The high demand coupled with limited supply is reflected in the price development. At the end of 2020, the net prime yield for high-quality, modern nursing home properties is quoted at just 4.00%. In the last three years alone, it has thus fallen by 90 basis points. From today's perspective, this trend is likely to continue in the current year of 2021.

**OUTLOOK**

The fact that even in the pandemic year 2020, transaction volume increased noticeably and a new record was set underscores the sustained rise in the importance of healthcare real estate. This trend is expected to continue over the next few years, as both demographic trends and the rising average age, as well as growing social acceptance for target-group-oriented housing projects, speak for medium- and long-term growth. Against this backdrop, transaction volume in 2021 is more likely to be determined by existing supply, as investor demand will almost certainly continue to thrive.

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Further information BNP Paribas Real Estate GmbH | Georg Ritgen MRICS, Director National Healthcare Services | Phone +49 (0)69-298 99-107 | georg.ritgen@bnpparibas.com  
www.realestate.bnpparibas.de